PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Formerly known as LifeTec Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 1180)

Annual Report 2007

* *For identification purposes only*

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Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

DIRECTORS

Mr. Jay CHUN *(Chairman and Managing Director)*
Mr. SHAN Shiyong, alias, Mr. SIN Sai Yung
Dr. MA Xianming, alias, Dr. MA Yin Ming
Mr. LAW Wing Kit, Stephen
Mr. PARK Aaron Changmin
Mr. Frank HU*
Ms. MA Shiwei*
Mr. Li John Zongyang*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, CPA

SOLICITORS

Vincent T.K. Cheung, Yap & Co.

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two,
28 Yun Ping Road
Hong Kong

PRINCIPAL OFFICE

Room 907-908, 9/F.
Man Yee Building
68 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG SHARE REGISTRAR

Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

"During the year, the Group has made significant expansion in the gaming business in Macau. Our LIVE Baccarat system has seen a significant increase in its installation base and has been added in a number of casinos in Macau."

Chairman's Statement

On behalf of the Board of Directors, I am delighted to present the annual report and audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

BUSINESS REVIEW

During the year, the Group has made significant expansion in the gaming business in Macau. Our LIVE Baccarat system has seen a significant increase in its installed base and has been installed in a number of casinos in Macau. The LIVE Baccarat game has seen very strong performance amongst casino goers in 2007. The turnover of gaming section increased from about HK$2,019,000 for year 2006 to about HK$16,627,000 which represents an increase of seven times. We foresee this momentum continuing into the future. On the other segment of the Group, the biopharmaceutical business in China continued to see sales growth of 24%, year-over-year, from about HK$91,716,000 in 2006 to a record high of about HK$113,892,000 in 2007. Our China biopharmaceutical operations posted an operating loss of about HK$14,268,000 (2006: HK$12,860,000), an increase of 11% compared with that of the previous year.

Turnover and Profit

The Group reported a turnover of about HK$130,519,000 for the year ended 31 December 2007, representing an increase of 38% as compared to about HK$94,669,000 for the previous year. Overall, gross profit margin for the year ended 31 December 2007 dropped slightly from 16% to 15%, whereas operating loss of about HK$52,337,000 for 2006 increased to about HK$131,416,000 for the year ended 31 December 2007. The Group reported a loss of about HK$172,451,000 or 5.07 Hong Kong cents per share for the year ended 31 December 2007, compared to a net loss of about HK$47,704,000 or 1.65 Hong Kong cents per share for the previous year.

The loss was mainly attributed to recognition of fair value of options granted as well as changes in fair value of warrants and redeemable voting preference shares during the year. Due to increased competition in the PRC pharmaceutical market, gross margins for the year ended 31 December 2007 inevitably narrowed. However, given this competitive backdrop, the Group continued to see expansion in its biopharmaceutical sales in 2007.

Gaming Business

The gaming business of Paradise Entertainment Limited is conducted through our subsidiaries, LT Game Limited ("LT Game") and LT (Macau) Limited ("LT Macau") which are the signing parties to the income-sharing collaboration agreements with different casino operators in Macau.

Calendar 2007 was an exciting year for the Group, a year in which we significantly increased the number of income-sharing LIVE Baccarat electronic table terminals over the previous year.

LIVE Baccarat is conducted through our proprietary electronic gaming system which combines traditional baccarat card dealing by a live casino dealer with a digital network of touch screen betting terminals. Real time images of card dealing are broadcasted to the screens of the betting terminals. One unique advantage of the LIVE Baccarat system is that it can largely enhance the productivity of a casino table as a dealer can serve more players with our system than a dealer at a traditional baccarat table.

In addition, we launched our new Paradise Box electronic gaming terminal, the world's first combined e-table and server-based slot terminal hybrid with enormous success. Paradise Box is our next-generation electronic gaming machine combining all the excitement of e-table games plus the action of server based games all combined into one machine terminal. Created to meet the ever increasing demand for more game variety on our legacy e-table terminals, Paradise Box is the first hybrid e-table/server-based game machine to be offered in the market. By combining these two leading edge platforms, Paradise Box is able to offer players the most exciting and unique game content. E-table games that will be offered include "live-dealer" baccarat, sicbo, roulette and fish-prawn-crab. In addition, we will offer the most exhilarating server based content games including video slot games, sports betting and other forms of stimulating Asian inspired table and slot games.

In December 2007, we launched Paradise Entertainment, our flagship casino venue in Macau, the largest electronic table casino in the world. This 35,000 sq. ft. e-casino locates on the third floor of Kam Pek Casino at San Kin Yip Commercial Center and adjacent to Lisboa Hotel & Casino, opposite to Wynn Resort. It offers to the mass gaming market a host of next generation electronic gaming facilities and services. In relaxed and comfort environment with LIVE baccarat and Paradise Box, our e-casino gives players a completely new and unique gaming experience.

In the beginning of 2008, we launched Paradise Jackpot, a new specialty baccarat table game which incorporates side bet for baccarat game and jackpot feature in Macau. We plan to launch the widest-linked progressive jackpot system currently available today.

The number of income-sharing terminals in Macau increased to over 500 terminals by the end of 2007. Management is confident in its ability to develop other innovative casino games for the booming Macau gaming market.

Biopharmaceutical Business

The Group's biopharmaceutical business is conducted under LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). The turnover of LifeTec Pharmaceutical for the year ended 31 December 2007 increased from about HK$91,716,000 to about HK$113,892,000, representing a period-to-period rise of 24%. Gross profit for the year ended 31 December 2007 decreased by approximately 6% compared to that of the previous year. Gross profit for the year ended 31 December 2007 reduced due to the intense market competition. The cost control measures effectively reduced marketing, selling and distribution expenses from about HK$15,640,000 for previous year to about HK$11,747,000 for the year ended 31 December 2007.

Marketing, Sales and Distribution

LifeTec Pharmaceutical adopted new initiatives to consolidate direct sales team by teaming up with renowned drug distributors. The replacement of sales agents in a number of cities resulted in a dramatic increase in sales performance. To broaden the sales base, the division introduced a wider range of generic drugs for distribution and extended the geographical span of its drug distribution business.

Research and Development

Satisfactory progress has been made in research and development projects in 2007, which has provided encouraging prospects for the following projects. Patent for Fibrocorin has been filed in the United States. Other generic drugs are ready for final SFDA approval for registration and are expected to be available for commercial production, sale and distribution in the near future.

Fibrocorin

Fibrocorin is a recombinant fusion protein and a potential new drug candidate for anti-cancer and anti-fibrosis applications. It was invented by LifeTec Pharmaceutical in conjunction with the research team of the City University of Hong Kong. Fibrocorin is a genetically engineered protein comprising an active component to alleviate fibrosis and a human immunoglobulin Fc region which extends the degradation rate. This novel recombinant protein has a more sustainable and profound treatment effect. Patent application has been filed in the United States.

Recombinant Human Augmenter for Liver Regeneration ("rhALR")

rhALR is a revolutionary compound for the gene therapy of various kinds of liver diseases. Timely and satisfactory progress has been made in the rhALR project. Characterization and functional study of recombinant human augmenter of liver regeneration (rhALR) has been finished in year 2007. The production yield rate as well as storage condition has also been optimized in 2007. We have selected a better matrix in order to make the rhALR stable in storage space at 4 Degree Celsius. Several sample batches are ready for future preclinical trials.

Generic Drugs

A number of generic drugs are undergoing application procedures for production permits issued by SFDA. These generic drugs can help to better utilize our existing sales channels which have been developed through our experience in selling Wei Jia. It is expected that the commercial production approval process for these drugs will commence at the beginning of year 2009.

We will continue to enrich our pharmaceutical product mix by introducing more generic drugs and strengthen our distribution network in China.

Prospects

We have set forth a strategic 3-point initiative to guide our operations and make our business model able to deliver strong long-term sustainable revenue growth across our e-table and specialty table game categories. First, we are expanding our efforts to increase the gross gaming revenues generated from existing e-table terminals already in the field by adding new value elements like increasing the next generation server based game content for our Paradise Box terminals and increasing the player enticement for our progressive side bet option. Secondly, we are adept to sign more lucrative profit sharing terms with our casino license partners by continuing to demonstrate even better value creation to our partners through the growth of our trademark and patent-filed LIVE Baccarat, Paradise Box and Paradise Jackpot Progressive Baccarat table game. Finally, we are heightening our commitment to growing the number of recurring-revenue sharing e-table terminals and specialty table games with our casino license partners through growing player demand for our trademark gaming products.

During G2E show in Las Vegas in November 2007 as well as ICE show in London in January 2008, our LIVE Baccarat System and Paradise Jackpot System are well received by the casino owners and operators around the world. This give us a new exposure to expand our business into the global gaming market.

Apart from gaming business, pharmaceutical business is our main source of turnover. It is expected that the approval from SFDA for production of generic drugs will be available in the near future and in turn the turnover and product pipeline of the Group will be increased significantly.

Liquidity and Financial Resources

As at the balance sheet date, the Group's aggregate finance leases stood at about HK$748,000 of which about HK$242,000 was payable within 12 months and about HK$506,000 was payable between 2 to 5 years. Current liabilities of the Group increased from about HK$61,468,000 to about HK$105,131,000, representing an increase of 71%. The Group's net current assets increased from about HK$31,741,000 to about HK$63,323,000 as at the balance sheet date. The Group's total liabilities at the balance sheet date amounted to about HK$191,218,000 (2006: HK$87,698,000). The Group's total assets at the balance sheet date amounted to about HK$470,495,000 (2006: HK$301,716,000). Accordingly, the percentage of total liabilities to total assets as at 31 December 2007 stood at 41% which is higher than the corresponding figure of 29% as of 31 December 2006.

As at 31 December 2007, the cash on hand and available financial resources are sufficient for financing ongoing activities of the Group.

The Group's operations are primarily based in China and the income derived and expenses incurred are denominated in Renminbi. There were no export sales in the year. On the other hand, the expenses of the headquarters are denominated in Hong Kong dollars and are financed by fund raised in Hong Kong dollar. Due to the relatively matched position in both Hong Kong and China and the stability of the exchange rates between Renminbi and Hong Kong dollars, the directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2007, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with net book value amounting to about HK$869,000 (2006: HK$1,113,000).

Organization and Staff

The Group has about 273 staff in total as at the balance sheet date. The majority of the staff includes service attendants of the Group's gaming business in Macau and sales and marketing executives of biopharmaceutical business located in China. In order to cope with the rapid growing operations of gaming business the Group is actively seeking key personnel to join the sales and marketing as well as the research and development team in Macau.

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 service contracts of selected senior executives of the Company.

Chairman's Statement

Appreciation

The Group has made a number of outstanding records in 2007 in the launch of the Macau gaming business. On behalf of the Board of Directors of the Company (the "Board"), 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 Board
Paradise Entertainment Limited
Jay Chun
Chairman

Hong Kong, 25 April 2008

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 44, 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 17 years of management and investment experience. He holds a bachelor degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as Managing Director of the Company in January 1999 and subsequently appointed as Chairman of the Board in July 2002.

Mr. Shan Shiyong, alias, Mr. Sin Sai Yung, aged 45, 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 20 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 Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Dr. Ma Xianming, alias, Dr. Ma Yin Ming, aged 42, holds a doctoral degree in accounting as well as a bachelor and a master degree in economics from the Central South University. He is an accounting and financial expert and has been appointed as a member of the Auditing Standards Drafting Committee of the China Institute of Certified Public Accountants and as the leader of the Chinese Expert Advisory Group on accounting issues in connection with Asian Development Bank sponsored projects in China. He has also held senior financial positions in the commercial field and over 18 years of management and investment experience. He joined the Group as an Independent Non-executive Director in September 2001 and was re-designated as an Executive Director in August 2003.

Mr. Law Wing Kit, Stephen, aged 55, has over 21 years of international managerial experience in the areas of investment services, corporate finance and securities. Prior to joining the Company, Mr. Law held the positions of managing director of Capital Markets Group of UBS East Asia Limited in Singapore; managing director of Fidelity Investments (Singapore) Ltd. and executive director of Equity Transaction Group of Merrill Lynch Capital Markets Group respectively. Mr. Law was a director of the Singapore International Monetary Exchange Limited from 1985 to 1990.

Mr. Park Aaron Changmin, aged 31, has strong experience in corporate finance and investment market and has extensive experience in research and analysis in hotel, casino, restaurant, luxury goods and consumer products sectors. Prior to joining the Company, Mr. Park was a senior research associate at Capital International, Inc., and a senior associate of the Financial Restructuring Group at Houlihan Lokey Howard & Zukin. Mr. Park began his career in the Corporate Finance Group at Jefferies and Company and is a graduate of Cornell University.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 46, is a seasoned banker and businessman with over 20 years of experience. He holds a bachelor degree in politics from New York University and is currently the chief executive officer of a major private group in Hong Kong. He joined the Group in July 1999.

Ms. Ma Shiwei, aged 52, holds a master degree in business administration from Touro University International. She has over 20 years of experience in management of international trading. Ms. Ma is the General Manager of China Worldbest Group (Hong Kong) Co., Ltd., which is a subsidiary of one of the largest pharmaceutical groups in China. She joined the Group in September 2004.

Mr. Li John Zongyang, aged 52, is the Chairman of Far Reach Group which is a private investment consultancy company. Mr. Li had served as the Chief Executive Officer of the Hong Kong-listed Kai Yuan Holdings Limited (Stock Code: 1215) from April 2007 to February 2008, the Acting Chairman, Vice Chairman and Chief Financial Officer of Hong Kong-listed Leadership Publishing Group Limited (now known as SMI Publishing Group Limited) (Stock Code: 8010) from March 2003 to March 2004, the Chairman and Chief Executive Officer of Singapore-listed Auston International Group Limited from August 2005 to December 2006, the Chief Financial Officer and executive director of Singapore-listed Panpac Media Group Limited (now known as The Lexicon Group Limited) from April 2004 to May 2005, the Co-Chief Executive Officer of Nasdaq-quoted company Sun New Media Inc. (now known as Nextmart Inc.) from February 2006 to June 2006 and the Executive Director of London AIM-listed Sun 3C Media Plc. (now known as CEC Unet Plc.) from July 2006 to December 2006. Mr. Li holds a Bachelor degree in Economics from Peking University and a Master of Business Administration degree from Middlesex University Business School in London. Mr. Li's financial and management prowess stems from his rich and versatile background in the financial, business and corporate environment in the Asia pacific region. Before coming back to Asia, Mr. Li worked for 10 years with a leading investment management company in London, Framlington Investment Management Company Limited, where he served as a Senior Fund Manager and the Head of the Asia Pacific region. Mr. Li joined the Group in September 2007.

SENIOR MANAGEMENT

Mr. Zhu Weixiong, aged 52, is the Group's Associate Director of Sales and Marketing. Mr. Zhu has vast experience in the pharmaceutical industry. Having held senior executive positions in first-class establishments in China, Mr. Zhu has accumulated over 25 years' solid experience in the sales and marketing of pharmaceutical products. Before joining the Group, he was senior management of a number of sizeable pharmaceutical companies in China. Mr. Zhu joined the Group in June 2004.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007.

CHANGE OF NAME

Subsequent to the passing of a special resolution by the shareholders of the Company at the special general meeting of the Company held on 7 May 2007, the name of the Company has been changed from LifeTec Group Limited to Paradise Entertainment Limited. The Company has also adopted the Chinese name of 滙彩控股有限公司 for identification purpose only on the same day.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development, sale of biopharmaceutical products and provision of gaming systems.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 26.

The state of the Group's affairs at 31 December 2007 is set out in the consolidated balance sheet on pages 27 and 28.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

INVESTMENT PROPERTY

The investment property of the Group was re-valued on an open market value basis as at 31 December 2007 as set out in note 18 to the financial statements. There was a surplus of HK$1,220,000 arising on the revaluation as at 31 December 2007.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 33 to the financial statements.

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 35(b) to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company 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, Mr. Sin Sai Yung)	
Dr. Ma Xianming (alias, Dr. Ma Yin Ming)	
Mr. Law Wing Kit, Stephen	(Appointed on 1 April 2007)
Mr. Park Aaron Changmin	(Appointed on 1 April 2007)
Independent non-executive directors:	
Mr. Frank Hu	
Mr. Wang Faqi	(Vacated on 10 September 2007)
Ms. Ma Shiwei	
Mr. Li John Zongyang	(Appointed on 10 September 2007)

The biographical details of the directors of the Company and senior management of the Group are set out on pages 9 and 10.

In accordance with the Company's Bye-laws, Dr. Ma Xianming, alias, Ma Yin Ming, Mr. Frank Hu and Ms. Ma Shiwei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Jay Chun, Mr. Shan Shiyong alias, Sin Sai Yung, Mr. Law Wing Kit, Stephen and Mr. Park Aaron Changmin 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.

The terms of office of each independent non-executive director is a period up to his/her 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/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities of 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 CONTRACT OF SIGNIFICANCE

No contracts 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 2007, 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	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	68,568,000	2,500,000	432,782,000	11.19%
	The Company	Interest of controlled corporation	361,714,000 [2]	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	353,190,000 [3]	–	353,190,000	9.14%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner	6,722,000	2,900,000	9,622,000	0.25%
Mr. Law Wing Kit, Stephen	The Company	Beneficial owner	–	30,000,000	30,000,000	0.78%
Mr. Park Aaron Changmin	The Company	Beneficial owner	1,666,000	30,000,000	31,666,000	0.82%

Notes:

(1) All interests in shares stated above represent long positions.

(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 corporations (within the meaning of Part XV of the SFO) as at 31 December 2007.

SHARE OPTIONS HELD BY DIRECTORS

On 30 July 2007, the Company terminated the share option scheme of the Company adopted on 15 July 2002 (the "Old Share Option Scheme") and 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 36 to the financial statements.

There are still outstanding options granted under the Old Share Option Scheme during the year.

A summary of the movements in share options granted to directors under both the Old Share Option Scheme and the Existing Share Option Scheme during the year is as follows:

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Outstanding at 31.12.2007
Old Share Option Scheme							
Category: Directors							
Jay Chun	27.11.2003	27.11.2003 to 26.11.2008	0.088	2,500,000	–	–	2,500,000
Ma Xianming Alias, Ma Yin Ming	27.11.2003	27.11.2003 to 26.11.2008	0.088	1,000,000	–	–	1,000,000
Ma Xianming Alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	0.095	1,900,000	–	–	1,900,000
Law Wing Kit, Stephen	08.05.2007	08.05.2007 to 07.05.2012	0.242	–	10,000,000	–	10,000,000
Park Aaron Changmin	08.05.2007	08.05.2007 to 07.05.2012	0.242	–	10,000,000	–	10,000,000
Park Aaron Changmin	25.05.2007	25.11.2007 to 24.05.2012	0.290	–	20,000,000	–	20,000,000
Sub-total				5,400,000	40,000,000	–	45,400,000
Existing Share Option Scheme							
Category: Directors							
Law Wing Kit, Stephen	06.08.2007	06.12.2007 to 05.08.2009	0.307	–	10,000,000	–	10,000,000
Law Wing Kit, Stephen	06.08.2007	06.03.2008 to 05.08.2009	0.307	–	10,000,000	–	10,000,000
Sub-total				–	20,000,000	–	20,000,000
TOTAL				5,400,000	60,000,000	–	65,400,000

The fair value of the options granted to directors on 8 May 2007, 25 May 2007, 6 August 2007 and 6 August 2007 measured on the date of grant amounted to approximately HK$2,107,000, HK$2,742,000, HK$944,000 and HK$944,000 respectively. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. HK$6,363,000 has been charged to the consolidated income statement for the year in respect of the value of options granted to directors during the year and the remaining balance of HK$374,000 is related to services to be rendered in 2008 and will be recognised as director's emoluments in 2008 accordingly. The following significant assumptions were used to derive the fair values using option pricing models:

		8 May 2007	**25 May 2007**	**6 August 2007**	**6 August 2007**
1)	Expected volatility based on historical volatility of share prices	73.70%	73.70%	76.35%	76.35%
2)	Expected annual dividend yield, based on historical dividends	–	–	–	–
3)	Expected life of options	3 years	3 years	2 years	2 years
4)	Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	3.993%	4.151%	3.935%	3.935%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The use of option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The closing price of the Company's shares immediately before 8 May 2007, 25 May 2007 and 6 August 2007, the dates on which options were granted to the directors during the year, were HK$0.234, HK$0.285 and HK$0.275 per share respectively.

As at the date of this report, the total number of options available for issue under the Existing Share Option Scheme is 57,589,791 options, representing 10% of the shares of the Company in issue as at the date of adoption of the Existing Share Option Scheme on 30 July 2007 less the number of options granted under the Existing Share Option Scheme.

For details of options held by other participants, please refer to Note 36 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company 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 2007, so far as is 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	361,714,000	9.36%
Best Top Offshore Limited	353,190,000	9.14%

Note:

(1) All interests in shares stated above represent long positions.

Save as disclosed above, as at 31 December 2007, 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 2007, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 60.6% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 17.4% of the Group's total turnover.

For the year ended 31 December 2007, the aggregate amount of purchase attributable to the Group's five largest suppliers accounted for approximately 66.1% of the Group's total purchase and the turnover attributable to the Group's largest supplier was approximately 23.9% of the Group's total purchase.

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", the Company has issued warrants and convertible loans during the year. For details of warrants and convertible loans issued during the year, please refer to Note 29 and Note 31 to the financial statements respectively. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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 of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices ("the Code") set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2007 except for certain deviations. For further information on the Company's corporate governance practices and details of deviations, please refer to the Corporate Governance Report on pages 18 to 22.

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

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 have fully complied with the required standard set out in the Model Code during the year.

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 latest practicable date prior to 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.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. RSM Nelson Wheeler as auditors of the Company.

On behalf of the Board

Jay Chun
Chairman

Hong Kong, 25 April 2008

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they have 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 and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director.

As at 31 December 2007, the Board consisted of five Executive Directors and three Independent Non-executive Directors.

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held two regular meetings. The number of regular meetings held during the year fell short of the four times a year as set out in A.1.1 of the Code was due to the conflicting schedules of the members of the Board which rendered it complicated to arrange for such meetings.

The members of the Board and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun *(Chairman and Managing Director)*	2/2
Mr. Shan Shiyong, alias, Shan Sai Yung	0/2
Dr. Ma Xianming, alias, Ma Yin Ming	0/2
Mr. Law Wing Kit, Stephen	2/2
Mr. Park Aaron Changmin	2/2
Independent Non-executive Directors	
Mr. Frank Hu	2/2
Mr. Wang Faqi	0/1 (Note 1)
Ms. Ma Shiwei	2/2
Mr. Li John Zongyang	1/1 (Note 2)

Notes:

1. The office of Mr. Wang Faqi as an Independent Non-executive Director of the Company had been vacated with effect from 10 September 2007.

2. Mr. Li John Zongyang was appointed as an Independent Non-executive Director of the Company on 10 September 2007.

The Company has received annual confirmations of independence from Mr. Frank Hu, Ms. Ma Shiwei and Mr. Li John Zongyang and the Company considers them to be independent.

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 pages 9 to 10 of this annual report respectively.

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 A.2.1 of the Code, the roles of the Chairman and chief executive officer should be separated 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.

The annual general meeting held on 30 July 2007 was chaired by Mr. Frank Hu, one of our Independent Non-executive Directors, instead of Mr. Jay Chun. Mr. Jay Chun did not attend the annual general meeting 2007 as he was engaged in other business of the Company. In accordance with the Code, Mr. Jay Chun should attend the annual general meeting of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, only one of the three 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 appointment will be reviewed when they are due for re-election.

REMUNERATION COMMITTEE

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 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.

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
Ms. Ma Shiwei	1/1

During the year, the Remuneration Committee reviewed the remuneration of the Executive Directors and recommended the Board to approve their remuneration.

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

AUDITORS' REMUNERATION

During the year, the Group was charged about HK$900,000 for auditing services. The Group had not engaged the external auditors for any non-audit services.

AUDIT COMMITTEE

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.

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. Wang Faqi	0/1 (Note 1)
Ms. Ma Shiwei	2/2
Mr. Li John Zongyang	1/1 (Note 2)

Notes:

1. The office of Mr. Wang Faqi as an Audit Committee member of the Company had vacated with effect from 10 September 2007.

2. Mr. Li John Zongyang was appointed as an Independent Non-executive Director of the Company on 10 September 2007.

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

– reviewed with the management and the external auditors the audited financial statements for the year ended 31 December 2006 and the unaudited interim financial statements for the six months ended 30 June 2007, with recommendations to the Board for approval;

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

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2007.

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.

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts 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 accounts for the six months ended 30 June 2007 and for the year ended 31 December 2007, the directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year 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 the 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.

Independent Auditor's Report

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

TO THE SHAREHOLDERS OF PARADISE ENTERTAINMENT LIMITED
(FORMERLY KNOWN AS LIFETEC GROUP 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 26 to 85, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the "Basis for qualified opinion" paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

BASIS FOR QUALIFIED OPINION

(1) Scope limitation – Impairment of intangible assets, payments for investments and property, plant and equipment in connection with the Group's biopharmaceutical business

In connection with the Group's biopharmaceutical business, the Group had intangible assets of HK$90,520,000 stated in the consolidated balance sheet as at 31 December 2007 relating to beneficial rights to drugs under development not yet available for use and detailed in note 19 to the financial statements; payments for investments representing deposits paid for the acquisition of beneficial rights to drugs under development not yet available for use and the corresponding consultancy fees stated in the consolidated balance sheet as at 31 December 2007 at a total carrying amount of HK$61,002,000 and detailed in note 21 to the financial statements; and leasehold improvements and plant and machinery with carrying amounts totaling HK$28,030,000 as at 31 December 2007 acquired for the research and development of the drugs under development by the Group and included in property, plant and equipment.

We have not been provided with sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the abovementioned intangible assets, payments for investments and property, plant and equipment. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment in value should be made in the financial statements in respect of them. Any adjustments found to be necessary might have consequential effects on the net assets of the Group as at 31 December 2007, the results of the Group for the year then ended and the related disclosures thereof in the financial statements.

(2) Scope limitation – Prior year's audit scope limitation affecting opening balances of intangible assets, payments for investments and property, plant and equipment in connection with the Group's biopharmaceutical business

As detailed in our report dated 27 April 2007 on the financial statements of the Group for the year ended 31 December 2006, we were unable to obtain sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the intangible assets of HK$90,471,000 and payments for investments of HK$56,994,000 stated in the consolidated balance sheet as at 31 December 2006; and leasehold improvements and plant and equipment with carrying amounts totaling HK$32,206,000 included in property, plant and equipment stated in the consolidated balance sheet as at 31 December 2006. Any adjustments found to be necessary in respect thereof had we obtained sufficient evidence would have had consequential effects on the net assets of the Group as at 31 December 2006, the results of the Group for the years ended 31 December 2007 and 2006 and the related disclosures thereof in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the opening balances mentioned in point 2 of the "Basis for qualified opinion" paragraphs; and the intangible assets, payments for investments and property, plant and equipment as mentioned in point 1 of the "Basis for qualified opinion" paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results 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.

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two,
28 Yun Ping Road
Hong Kong

25 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	6	**130,519**	94,669
Cost of sales and services		**(110,871)**	(79,619)
Gross profit		**19,648**	15,050
Other operating income	7	**4,159**	5,879
Marketing, selling and distribution costs		**(17,732)**	(16,426)
Administrative expenses		**(67,602)**	(31,701)
Share-based payments	36	**(63,674)**	(19,582)
Research and development expenditure		**(2,526)**	(2,690)
Impairment loss for doubtful debts	9	**(3,689)**	(2,867)
Loss from operations		**(131,416)**	(52,337)
Finance costs	10	**(3,844)**	(229)
Fair value (loss)/gain on derivative financial instruments		**(36,817)**	724
Gain on disposal of subsidiaries		**–**	4,097
Loss before tax		**(172,077)**	(47,745)
Income tax (expense)/credit	11	**(374)**	73
Loss for the year	12	**(172,451)**	(47,672)
Attributable to:			
Equity holders of the Company		**(172,451)**	(47,704)
Minority interests		**–**	32
		(172,451)	(47,672)
Loss per share (HK cents)	16		
– Basic		**(5.07)**	(1.65)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	**122,577**	57,412
Investment properties	18	**4,850**	3,630
Intangible assets	19	**90,520**	90,471
Interest in an associate	20	**–**	–
Deposits paid for acquisition of non-current assets		**15,292**	–
Payments for investments	21	**61,002**	56,994
Deposit paid for acquisition of a subsidiary	22	**7,800**	–
		302,041	208,507
Current assets			
Inventories	23	**25**	1,526
Debtors and prepayments	24	**46,944**	31,357
Advances to consulting companies	25	**52,083**	48,287
Bank and cash balances	26	**69,402**	12,039
		168,454	93,209
Less: **Current liabilities**			
Creditors and accrued charges	27	**78,531**	53,003
Amounts due to directors	41	**1,411**	1,383
Amount due to a related party	41	**60**	663
Bank borrowings		**–**	36
Obligation under finance leases	28	**242**	227
Derivative financial instruments	29	**7,577**	2,947
Redeemable voting preference shares	30	**13,978**	–
Current tax liabilities		**3,332**	3,209
		105,131	61,468
Net current assets		**63,323**	31,741
Total assets less current liabilities		**365,364**	240,248

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Obligation under finance leases	28	**506**	748
Redeemable voting preference shares	30	**–**	12,075
Convertible loans	31	**72,174**	–
Deferred tax liabilities	32	**13,407**	13,407
		86,087	26,230
NET ASSETS		**279,277**	214,018
Capital and reserves			
Share capital	33	**38,659**	30,383
Reserves	35	**240,618**	183,635
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY AND TOTAL EQUITY		**279,277**	214,018

Approved by the Board of Directors on 25 April 2008.

JAY CHUN
Director

FRANK HU
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Convertible loans reserve HK$'000	Option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	27,633	334,085	88,643	–	10,207	949	(242,464)	219,053	3,515	222,568
Translation difference and net income recognised directly in equity	–	–	–	–	–	1,248	–	1,248	11	1,259
Loss for the year	–	–	–	–	–	–	(47,704)	(47,704)	32	(47,672)
Total recognised income and expense for the year	–	–	–	–	–	1,248	(47,704)	(46,456)	43	(46,413)
Issue of shares on exercise of share options	2,750	32,079	–	–	(12,429)	–	–	22,400	–	22,400
Disposal of subsidiaries	–	–	–	–	–	(561)	–	(561)	(3,558)	(4,119)
Recognition of share-based payments	–	–	–	–	19,582	–	–	19,582	–	19,582
	2,750	32,079	–	–	7,153	(561)	–	41,421	(3,558)	37,863
At 31 December 2006	30,383	366,164	88,643	–	17,360	1,636	(290,168)	214,018	–	214,018

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Convertible loans reserve HK$'000	Option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	30,383	366,164	88,643	–	17,360	1,636	(290,168)	214,018	–	214,018
Translation difference	–	–	–	–	–	9,405	–	9,405	–	9,405
Share issue expenses paid	–	(760)	–	–	–	–	–	(760)	–	(760)
Net income recognised directly in equity	–	(760)	–	–	–	9,405	–	8,645	–	8,645
Loss for the year	–	–	–	–	–	–	(172,451)	(172,451)	–	(172,451)
Total recognised income and expense for the year	–	(760)	PPP–	–	–	9,405	(172,451)	(163,806)	–	(163,806)
Issue of shares on placement (Note 33)	2,000	36,000	–	–	–	–	–	38,000	–	38,000
Recognition of equity component of convertible loans	–	–	–	2,463	–	–	–	2,463	–	2,463
Issue of shares on conversion of convertible loans	2,750	29,876	–	(1,164)	–	–	–	31,462	–	31,462
Issue of shares on exercise of share options and warrants	3,526	95,473	–	–	(5,533)	–	–	93,466	–	93,466
Recognition of share-based payments	–	–	–	–	63,674	–	–	63,674	–	63,674
	8,276	161,349	–	1,299	58,141	–	–	229,065	–	229,065
At 31 December 2007	38,659	526,753	88,643	1,299	75,501	11,041	(462,619)	279,277	–	279,277

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	**(172,077)**	(47,745)
Adjustment for:		
Finance cost	**3,844**	229
Interest income	**(1,015)**	(678)
Gain on disposal of subsidiaries	**–**	(4,097)
Fair value gain on investment properties	**(1,220)**	(150)
Fair value loss/(gain) on derivative financial instruments	**36,817**	(724)
Exchange losses/(gains)	**110**	(4,278)
Impairment loss for doubtful debts	**3,689**	2,867
Depreciation of property, plant and equipment	**13,157**	3,145
Loss on disposal of property, plant and equipment	**3**	136
Equity-settled employee benefits	**13,276**	673
Equity-settled consultancy fees	**50,398**	18,909
Operating loss before working capital changes	**(53,018)**	(31,713)
Decrease/(increase) in inventories	**1,541**	(1,457)
Increase in debtors and prepayments	**(15,979)**	(8,734)
Increase in creditors and accrued charges	**14,233**	22,197
Increase in amounts due to directors	**5**	253
(Decrease)/increase in amount due to a related party	**(603)**	663
Cash used in operations	**(53,821)**	(18,791)
Income taxes paid	**(472)**	(75)
Interest paid	**–**	(9)
Finance lease charge paid	**(52)**	(74)
Net cash used in operating activities	**(54,345)**	(18,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	**–**	(1,665)
Disposal of subsidiaries	**–**	(16)
Advances to an associate	**(389)**	(867)
Advances to consulting companies	**–**	(18,215)
Purchases of property, plant and equipment	**(67,911)**	(13,899)
Deposits paid for acquisition of non-current assets	**(15,292)**	–
Deposits paid for acquisition of a subsidiary	**(7,800)**	–
Proceeds from disposal of property, plant and equipment	**3**	195
Interest received	**533**	678
Net cash used in investing activities	**(90,856)**	(33,789)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares on placement	**38,000**	–
Share issue expenses paid	**(760)**	–
Proceeds from issue of convertible loans	**109,000**	–
Convertible loan issue expenses paid	**(4,790)**	–
Proceeds from issue of warrants	**6,000**	–
Proceeds from issue of shares on exercise of warrants	**42,000**	–
Proceeds from issue of shares on exercise of share options	**13,279**	22,400
Proceeds from issue of redeemable voting preference shares by a subsidiary	**–**	15,600
Repayment of bank borrowings	**(36)**	(135)
Repayment of obligation under finance lease	**(227)**	(329)
Net cash generated from financing activities	**202,466**	37,536
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**57,265**	(15,202)
Effect of foreign exchange rate changes	**98**	528
CASH AND CASH EQUIVALENT AT 1 JANUARY	**12,039**	26,713
CASH AND CASH EQUIVALENT AT 31 DECEMBER	**69,402**	12,039
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**69,402**	12,039

1. GENERAL

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 to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and the Group's associate are set out in notes 43 and 44 to the financial statements respectively.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, generally accepted accounting principles in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. 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 is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. 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 is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, the Group recognises in its financial statements, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sales of goods or services by the joint venture.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

	Residual value	Annual depreciation rate
Leasehold land and buildings	–	Over the remaining terms of the leases
Leasehold improvements	–	20% or over the remaining terms of the leases
Plant and machinery	0 – 10%	10 – 20%
Furniture, fixtures and office equipment	0 – 10%	15 – 20%
Motor vehicles	0 – 10%	10 – 20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(j) Patents and beneficial rights to drugs under development

Costs incurred in the acquisition of patents are capitalised and amortised on a straight line basis over their useful economic lives.

Costs incurred in the acquisition of beneficial rights to drugs under development and the subsequent development cost are capitalised. The costs are amortised on a straight line basis over their useful economic lives when the underlying drugs are ready for commercial production.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the 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 the income statement.

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 is recognised in the income statement.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loans reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Redeemable voting preference shares

Redeemable voting preference shares which entitle the holder to convert the preference shares into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component, is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the redeemable voting preference shares based on the allocation of proceeds to the liability and derivative components on initial recognition.

(s) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Equity instruments

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

(u) Derivative financial instruments

Derivatives are initially recognised at fair value on the contract date and are subsequently measured at fair value. Changes in the fair value of derivatives are recognised in the income statement as they arise.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(y) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(z) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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, unused tax losses or unused tax credits 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(aa) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(bb) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(cc) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, except goodwill, investment properties, inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortization or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(dd) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(ee) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group will account for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Group considers each property separately in making its judgement.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

The management of the Group tests annually whether property, plant and equipment have suffered any impairment. The recoverable amounts of cash-generating units in connection with the property, plant and equipment have been determined on the value-in-use calculation and estimated net selling price. These calculations require uses of estimate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty (continued)

Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Impairment for intangible assets and payments for investments

In connection with the carrying amount of intangible assets and payments for investments, the Group performs ongoing evaluation of 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 drug projects and the Group believes that there is no impairment for the carrying amount of intangible assets and payments for investments. The situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

Impairment loss for doubtful debts

The Group makes impairment loss for doubtful debts based upon assessments of the recoverability of the trade and other debtors at each balance sheet date. The estimates are based on the ageing of the trade and other debtors balances and the historical write-off experience, net of recoveries. If the financial condition of the customers and the other debtors were to deteriorate, additional impairment may be required.

Fair value of derivative financial instruments

As disclosed in note 29 to the financial statements, the fair values of the derivative component of the redeemable voting preference shares and warrants at respective measurement dates were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative instruments, the expected volatility of the market price of the underlying assets and the potential dilution therein.

Where the estimation on the abovementioned factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative financial instruments in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty (continued)

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 share-based payment 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.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the cash and bank balances, trade and other receivables, and advances to consulting companies included in the balance sheet 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 trade and other receivables 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.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

In view of advances to consulting companies, the Group performs ongoing credit evaluations of consulting companies' financial conditions. After the balance sheet date, most advances to consulting companies have been repaid on demand, there is no significant exposure to the credit risk as regards advances to consulting companies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2007				
Obligation under finance leases	**279**	**279**	**256**	**–**
Convertible loans	**5,320**	**81,320**	**–**	**–**
Redeemable voting preference shares	**15,600**	**–**	**–**	**–**
Creditors and accrued charges	**78,531**	**–**	**–**	**–**
Amount due to directors	**1,411**	**–**	**–**	**–**
Amount due to a related party	**60**	**–**	**–**	**–**
At 31 December 2006				
Obligation under finance leases	279	279	535	–
Redeemable voting preference shares	–	15,600	–	–
Bank borrowings	36	–	–	–
Creditors and accrued charges	53,003	–	–	–
Amount due to directors	1,383	–	–	–
Amount due to a related party	663	–	–	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, convertible loans and obligation under finance lease. The bank deposits bear interests at variable rates varied with the prevailing market condition. The convertible loans and obligation under finance lease 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 borrowings are at fixed interest rates and the interest income generated from bank deposits is insignificant.

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair values

Except as disclosed in note 30 and 31 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group's turnover which represents the amounts received and receivable for goods sold, net of discounts and returns to outside customers and revenue from share of net gaming win from the operation of electronic gaming system during the year are as follows:

	2007 **HK$'000**	2006 HK$'000
Sales of biopharmaceutical products	**113,892**	91,716
Revenue from share of net gaming win from the operation of electronic gaming system	**16,627**	2,019
Sales of polyurethane products	**–**	934
	130,519	94,669

7. OTHER OPERATING INCOME

	2007 **HK$'000**	2006 HK$'000
Consultancy fee income	**1,000**	–
Interest income	**1,015**	678
Management fee income	**–**	120
Fair value gain on investment properties	**1,220**	150
Net exchange gains	**–**	4,364
Sundry income	**924**	567
	4,159	5,879

8. SEGMENT INFORMATION

(a) Primary reporting format-business segments

The Group is organised into two main business segments:

Biopharmaceutical – research, development and sale of biopharmaceutical products

Gaming – development and operation of electronic gaming system

8. SEGMENT INFORMATION (continued)

(a) Primary reporting format-business segments (continued)

For the year ended 31 December 2007

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue	113,892	16,627	1,924	132,443
Segment results	(14,268)	(24,008)	1,585	(36,691)
Unallocated operating income				2,235
Unallocated corporate expenses				(96,960)
Loss from operations				(131,416)
Finance costs				(3,844)
Fair value loss on derivative financial instruments				(36,817)
Loss before tax				(172,077)

At 31 December 2007

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	266,556	125,794	5,994	398,344
Unallocated corporate assets				72,151
Consolidated total assets				470,495
Liabilities				
Segment liabilities	53,700	44,422	40	98,162
Unallocated corporate liabilities				93,056
Consolidated total liabilities				191,218

8. SEGMENT INFORMATION (continued)

(a) Primary reporting format-business segments (continued)

For the year ended 31 December 2007

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	**14**	**75,984**	**–**	**258**	**76,256**
Depreciation of property, plant and equipment	**6,463**	**6,136**	**118**	**440**	**13,157**
Impairment loss for doubtful debts	**3,300**	**–**	**–**	**389**	**3,689**
Share-based payments	**–**	**–**	**–**	**63,674**	**63,674**

For the year ended 31 December 2006

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue	91,716	2,019	1,621	95,356
Segment results	(12,860)	(5,565)	222	(18,203)
Unallocated operating income				5,192
Unallocated corporate expenses				(39,326)
Loss from operations				(52,337)
Finance costs				(229)
Fair value gain on derivative financial instruments				724
Gain on disposal of subsidiaries				4,097
Loss before tax				(47,745)

8. SEGMENT INFORMATION (continued)

(a) Primary reporting format-business segments (continued)

At 31 December 2006

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	261,543	29,581	4,893	296,017
Unallocated corporate assets				5,699
Consolidated total assets				301,716
Liabilities				
Segment liabilities	37,709	26,567	32	64,308
Unallocated corporate liabilities				23,390
Consolidated total liabilities				87,698

For the year ended 31 December 2006

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	57,965	21,164	1,324	535	80,988
Depreciation of property, plant and equipment	1,355	1,226	548	16	3,145
Impairment loss for doubtful debts	2,000	–	–	867	2,867
Share-based payments	–	–	–	19,582	19,582

8. SEGMENT INFORMATION (continued)

(b) Secondary reporting format-geographical segments

	Revenue		Total assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The People's Republic of China ("PRC") and Hong Kong	**115,811**	93,334	**354,966**	269,717	**272**	59,289
Macau	**16,632**	2,022	**115,529**	31,999	**75,984**	21,699
	132,443	95,356	**470,495**	301,716	**76,256**	80,988

9. IMPAIRMENT LOSS FOR DOUBTFUL DEBTS

Impairment loss for doubtful debts is analysed as follows:

	2007	2006
	HK$'000	HK$'000
Impairment loss for amount due from an associate	**389**	867
Impairment loss for trade debtors	**3,300**	2,000
	3,689	2,867

10. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank borrowings	**–**	9
Finance charges on finance leases	**52**	74
Interest on liability component of convertible loans (Note 31)	**1,889**	–
Interest on liability component of redeemable voting preference shares (Note 30)	**1,903**	146
	3,844	229

11. INCOME TAX EXPENSE/(CREDIT)

	2007 HK$'000	2006 HK$'000
Current tax – outside Hong Kong		
– Under/(over)provision in previous year	**374**	(73)

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has no assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

PRC Enterprise Income Tax is calculated at the rate of 33% prevailing in the PRC with certain tax preference.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2007 HK$'000	2006 HK$'000
Loss before tax	**(172,077)**	(47,745)
Tax at PRC Enterprise Income Tax rate of 33%	**(56,785)**	(15,756)
Tax effect of expenses not deductible for tax purpose	**41,966**	10,688
Tax effect of income not taxable for tax purpose	**(890)**	(2,979)
Tax effect of tax losses and other deductible differences not recognised	**15,818**	8,144
Tax effect of temporary differences not recognised	**(109)**	(97)
Under/(over)provision in prior years	**374**	(73)
Income tax expense/(credit)	**374**	(73)

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law is effective from 1 January 2008.

12. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2007 HK$'000	2006 HK$'000
Auditors' remuneration		
– current	**1,044**	942
– underprovision in previous year	**77**	–
Cost of inventories	**100,008**	77,725
Depreciation	**13,157**	3,145
Direct operating expenses in respect of investment properties that did not generate rental income	**6**	4
Equity-settled consultancy fees (Note 36)	**50,398**	18,909
Loss on disposal of property, plant and equipment	**3**	136
Operating lease rentals paid in respect of rented premises (Note)	**4,839**	3,353
Staff costs		
– Directors' emoluments (Note 13)	**14,094**	6,102
– Other staffs		
– Salaries and allowances	**14,775**	8,108
– Equity-settled share-based payments (Note 36)	**6,913**	600
– Retirement benefit scheme contributions	**459**	487
	36,241	15,297

Note: The amount includes the accommodation benefits provided to a director amounting to HK$1,164,000 (2006: HK$921,000) as set out in note 13 to the financial statements.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2007

Name	Fees	Salaries and other benefits	Accom-modation benefit	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Jay Chun	–	2,169	1,164	–	12	3,345
Mr. Shan Shiyong, alias, Mr. Sin Sai Yung	–	2,400	–	–	–	2,400
Dr. Ma Xianming, alias, Dr. Ma Yin Ming	–	186	–	–	–	186
Mr. Law Wing Kit, Stephen (Note a)	–	720	–	2,567	–	3,287
Mr. Park Aaron Changmin (Note a)	–	720	–	3,796	–	4,516
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Mr. Wang Faqi (Note b)	83	–	–	–	–	83
Ms. Ma Shiwei	120	–	–	–	–	120
Mr. Li John Zongyang (Note c)	37	–	–	–	–	37
Total for 2007	360	6,195	1,164	6,363	12	14,094

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' emoluments (continued)

Year ended 31 December 2006

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefit HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	2,160	921	–	12	3,093
Mr. Shan Shiyong, alias, Mr. Sin Sai Yung	–	2,400	–	–	–	2,400
Dr. Ma Xianming, alias, Dr. Ma Yin Ming	–	176	–	73	–	249
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Mr. Wang Faqi (Note b)	120	–	–	–	–	120
Ms. Ma Shiwei	120	–	–	–	–	120
Total for 2006	360	4,736	921	73	12	6,102

Notes: (a) Appointed on 1 April 2007
(b) Vacated on 10 September 2007
(c) Appointed on 10 September 2007

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Employees' emoluments

The five highest paid individuals in the Group during the year included four (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2006: three) individual are set out below:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**1,050**	1,596
Retirement benefit scheme contributions	**–**	37
	1,050	1,633

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments (continued)

Their emoluments were within the following band:

	2007 Number of individuals	2006 Number of individuals
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	1	3

During the year, 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.

The Group remunerates its employees mainly based on industry's practices and individual's performance and experience. On top of regular remuneration, share options may be granted to eligible staff under the share option schemes adopted by the Company on 15 July 2002 and 30 July 2007 by reference to the Group's performance as well as individual's performance. Details of the share-based payments paid to the directors and employees of the Group are set out in note 36 to the financial statements.

14. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong.

The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

PRC

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the respective local municipal governments. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension schemes to fund the retirement benefits of their employees. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

15. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2006: Nil). The directors do not recommend the payment of a final dividend for the year (2006: Nil).

16. LOSS PER SHARE

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

	2007 **HK$'000**	2006 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(172,451)**	(47,704)

Number of shares	**2007**	2006
Issued ordinary shares at 1 January	**3,038,297,919**	2,763,297,919
Effect of issue of shares on placement	**11,506,849**	–
Effect of conversion of convertible loans	**143,013,698**	–
Effect of exercise of share options	**95,435,890**	131,441,096
Effect of exercise of warrants	**112,328,767**	–
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,400,583,123**	2,894,739,015

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2006 and 2007, no diluted loss per share was presented for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2006	9,281	–	3,937	3,264	2,808	19,290
Additions	–	2,401	51,761	115	1,304	55,581
Disposals	–	(325)	–	(7)	(907)	(1,239)
Disposal of a subsidiary	(8,059)	–	(3,276)	(216)	–	(11,551)
Exchange realignment	78	39	671	23	50	861
At 31 December 2006	1,300	2,115	53,093	3,179	3,255	62,942
Additions	–	37,745	35,784	1,389	1,338	76,256
Disposals	–	–	(4)	(4)	–	(8)
Exchange realignment	–	141	2,246	37	92	2,516
At 31 December 2007	1,300	40,001	91,119	4,601	4,685	141,706
Depreciation and impairment loss						
At 1 January 2006	8,237	–	3,524	1,210	1,604	14,575
Provided for the year	25	71	2,168	452	429	3,145
Disposals	–	–	–	(1)	(907)	(908)
Disposal of a subsidiary	(8,059)	–	(3,276)	(119)	–	(11,454)
Exchange realignment	78	1	63	12	18	172
At 31 December 2006	281	72	2,479	1,554	1,144	5,530
Provided for the year	25	530	11,484	466	652	13,157
Disposals	–	–	(1)	(1)	–	(2)
Exchange realignment	–	23	351	27	43	444
At 31 December 2007	306	625	14,313	2,046	1,839	19,129
Carrying amount						
At 31 December 2007	994	39,376	76,806	2,555	2,846	122,577
At 31 December 2006	1,019	2,043	50,614	1,625	2,111	57,412

The Group's leasehold land and buildings represents property situated in Hong Kong held under long lease.

At 31 December 2007, the carrying amount of the motor vehicles held by the Group under finance leases amounted to HK$869,000 (2006: HK$1,130,000).

18. INVESTMENT PROPERTIES

	2007 **HK$'000**	2006 HK$'000
At 1 January	**3,630**	3,480
Fair value gains	**1,220**	150
At 31 December	**4,850**	3,630

Investment properties were revalued as at 31 December 2007 and 2006 on an open market value basis by reference to market evidence of recent transactions for similar properties by Dudley Surveyors Limited, an independent firm of chartered surveyors.

The Group's investment properties are situated in Hong Kong and are held under long lease.

19. INTANGIBLE ASSETS

	Patents HK$'000	**Beneficial rights to drugs under development** HK$'000	**Total** HK$'000
Cost			
At 1 January 2006	4,705	65,037	69,742
Acquired on acquisition of a subsidiary	–	25,407	25,407
Exchange realignment	–	27	27
At 31 December 2006	4,705	90,471	95,176
Exchange realignment	–	49	49
At 31 December 2007	4,705	90,520	95,225
Amortisation			
At 1 January 2006, 31 December 2006 and 31 December 2007	4,705	–	4,705
Carrying amount			
At 31 December 2007	–	90,520	90,520
At 31 December 2006	–	90,471	90,471

19. INTANGIBLE ASSETS (continued)

Patents represent the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products.

No amortisation was provided for beneficial rights to drugs under development not yet available for use during the year. The amortisation of the cost of the beneficial rights to drugs under development will commence when the underlying drugs are fully developed and are ready for commercial production.

20. INTEREST IN AN ASSOCIATE

	2007 **HK$'000**	2006 HK$'000
Unlisted investment:		
Share of net assets	**–**	–
Amount due from an associate	**8,998**	8,609
	8,998	8,609
Less: Impairment loss for amount due from an associate	**(8,998)**	(8,609)
	–	–

Particulars of the Group's principal associate at 31 December 2007 are set out in note 44 to the financial statements.

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

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

	2007 **HK$'000**	2006 HK$'000
At 31 December		
Total assets	**5,573**	6,791
Total liabilities	**(10,760)**	(10,178)
Net liabilities	**(5,187)**	(3,387)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**81**	141
Total loss for the year	**(948)**	(1,064)

The Group has not recognised loss for the year amounting to HK$450,000 (2006: HK$505,000) for the Group's associate. The accumulated losses not recognised were HK$1,727,000 (2006: HK$1,277,000).

21. PAYMENTS FOR INVESTMENTS

	2007 HK$'000	2006 HK$'000
Deposits paid for the acquisition of beneficial rights to drugs under development	**59,724**	55,800
Consultancy fees for soliciting the drugs under development projects capitalised	**1,278**	1,194
	61,002	56,994

On 2 June 2004, Hainan Kangwei Medicine Co., Ltd ("Hainan Kangwei"), a subsidiary of the Company, entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB15,000,000 (equivalent to HK$16,055,000 (2006: HK$15,000,000)). The amount paid by the Group amounting to RMB14,000,000 (equivalent to HK$14,984,000 (2006: HK$14,000,000)) at 31 December 2006 and 31 December 2007 represents the partial consideration paid under the agreement.

On 8 October 2004, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB12,000,000 (equivalent to HK$12,844,000 (2006: HK$12,000,000)). The amount paid by the Group amounting to RMB11,000,000 (equivalent to HK$11,774,000 (2006: HK$11,000,000)) at 31 December 2006 and 31 December 2007 represents the partial consideration paid under the agreement.

On 2 November 2004, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB12,800,000 (equivalent to HK$13,700,000 (2006: HK$12,800,000)). The amount paid by the Group amounting to RMB11,800,000 (equivalent to HK$12,630,000 (2006: HK$11,800,000)) at 31 December 2006 and 31 December 2007 represents the partial consideration paid under the agreement.

On 5 January 2005, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB10,000,000 (equivalent to HK$10,703,000 (2006: HK$10,000,000)). The amount paid by the Group amounting to RMB9,000,000 (equivalent to HK$9,633,000 (2006: HK$9,000,000)) at 31 December 2006 and 31 December 2007 represents the partial consideration paid under the agreement.

On 18 February 2005, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB11,000,000 (equivalent to HK$11,774,000 (2006: HK$11,000,000)). The amount paid by the Group amounting to RMB10,000,000 (equivalent to HK$10,703,000 (2006: HK$10,000,000)) at 31 December 2006 and 2007 represents the partial consideration paid under the agreement.

22. DEPOSIT PAID FOR ACQUISTION OF A SUBSIDIARY

On 10 August 2007, LifeTech (Holdings) Limited ("LifeTec Holdings"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party for the acquisition of 80% equity interest in Shanghai Chengyou Network Technology Co., Ltd. ("Shanghai Chengyou") at a cash consideration of HK$12,800,000. Shanghai Chengyou is a domestic enterprise with limited liability established in the PRC and engaged in the development of electronic trading platform. As at 31 December 2007, a deposit of HK$7,800,000 has been paid by the Group for the acquisition. Such deposit is secured by 49% equity interest in Shanghai Chengyou.

23. INVENTORIES

	2007 **HK$'000**	2006 HK$'000
Finished goods	**25**	1,526

24. DEBTORS AND PREPAYMENTS

	2007 **HK$'000**	2006 HK$'000
Trade debtors	**47,752**	35,249
Less: Impairment loss for doubtful debts	**(10,301)**	(7,001)
	37,451	28,248
Other debtors and prepayments	**9,493**	3,109
	46,944	31,357

The Group normally allows a credit period of 90 to 180 days to its trade customers. The credit policy is consistent with the pharmaceutical industry practice in China.

An ageing analysis of the trade debtors, based on date of invoice and net of allowance, is as follows:

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**20,162**	14,337
31 – 60 days	**10,591**	4,308
61 – 90 days	**3,711**	2,060
91 – 180 days	**1,612**	3,295
181 – 365 days	**1,163**	2,883
Over 365 days	**212**	1,365
	37,451	28,248

As of 31 December 2007, trade receivables of HK$1,375,000 (2006: HK$4,248,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2007 **HK$'000**	2006 HK$'000
181 to 365 days	**1,163**	2,883
Over 365 days	**212**	1,365
	1,375	4,248

25. ADVANCES TO CONSULTING COMPANIES

The amount represents the outstanding receivables from four (2006: four) consulting companies established in the PRC. Pursuant to the agreements entered into between these consulting companies and Shanghai Youheng Biotechnology Limited ("Youheng"), a subsidiary of the Company, Youheng has appointed these consulting companies to:

(a) solicit potential biopharmaceutical investments projects in the PRC and to provide consultancy services to the related investments for a service fee of 3% on the amount to be invested in the projects by Youheng; and

(b) make payments of earnest money for potential investment projects or cost of investment on behalf of the Group after obtaining the approval from Youheng.

The outstanding receivables are unsecured and carry interests at 1% per annum; and RMB48,650,000 (equivalent to HK$52,071,000) have been repaid after the balance sheet date.

26. BANK AND CASH BALANCES

As at 31 December 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,409,000 (2006: HK$1,613,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. CREDITORS AND ACCRUED CHARGES

	2007 **HK$'000**	2006 HK$'000
Trade creditors	**32,877**	19,392
Other creditors and accrued charges	**37,402**	26,327
Value added tax payable	**8,252**	7,284
	78,531	53,003

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

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**16,059**	13,718
31 – 60 days	**10,493**	4,810
61 – 90 days	**1,542**	330
91 – 180 days	**3,928**	132
More than 365 days	**855**	402
	32,877	19,392

28. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**279**	279	**242**	227
In the second to fifth years, inclusive	**535**	814	**506**	748
	814	1,093	**748**	975
Less: Future finance charges	**(66)**	(118)	**N/A**	N/A
Present value of lease obligations	**748**	975	**748**	975
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(242)**	(227)
Amount due for settlement after 12 months			**506**	748

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4.5 years. As at 31 December 2007, the effective borrowing rate was 7.1% (2006: 7.1%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of the lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased asset and the personal guarantee executed by a director of the Company.

29. DERIVATIVE FINANIAL INSTRUMENTS

	2007 HK$'000	2006 HK$'000
Derivative components of redeemable voting preference shares (Note 30)	**5,364**	2,947
Warrants	**2,213**	–
	7,577	2,947

On 20 March 2007, the Company and Get Nice Investment Limited entered into a placing agreement in respect of the placement of 300,000,000 warrants of the Company to independent investors at a price of HK$0.02 per warrants. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.01 each at a subscription price of HK$0.21, subject to adjustment upon occurrence of certain events. The placement was completed on 3 April 2007 with the warrants expiring on 2 April 2008. Details of the above are set out in the Company's announcement dated 21 March 2007.

During the year, warrants carrying subscription rights of HK$42,000,000 or 200,000,000 ordinary shares of the Company of HK$0.01 each were exercised.

The loss of HK$34,400,000 from changes in fair value of the warrants from the date of issue to the dates of exercises or the balance sheet date was recognised to the income statement.

The fair values of the derivatives financial instruments are determined using the generally accepted option pricing models. The significant inputs into the models were as follows:

	Derivative component of redeemable preference shares		Warrants
	2007	2006	**2007**
Share price of underlying shares	**HK$12,437**	HK$17,333	**HK$0.172**
Exercise price	**HK$17,333**	HK$17,333	**HK$0.210**
Expected volatility	**62.99%**	43.09%	**101.75%**
Expected life	**274 days**	639 days	**78 days**
Risk-free rate	**2.34%**	3.53%	**2.55%**
Expected dividend yield	**–**	–	**–**

30. REDEEMABLE VOTING PREFERENCE SHARES

Pursuant to a subscription agreement dated 1 December 2006, LT Game Limited ("LT Game"), a subsidiary of the Company, issued 900 redeemable voting preference shares of US$1.00 each (the "Preference Shares") to an independent third party (the "Subscriber") at a subscription price of US$2,222.22 each. Total subscription price amounting to US$2,000,000 (equivalent to HK$15,600,000) (the "Subscription Price") was paid by the Subscriber in cash on 1 December 2006.

The Preference Shares rank pari passu in all respects with the existing ordinary shares of LT Game.

If LT Game reports net profit before tax of less than HK$32 million for the financial year ended 31 December 2007, the holder of the Preference Shares shall be entitled to redeem the Preference Shares at the Subscription Price at any time between the date of issue of the audited financial statements of LT Game for the year ended 31 December 2007 and the date falling 6 months after the date of issue of the audited financial statements of LT Game for the year ended 31 December 2007 (the "Conversation Date"). Corporate guarantee was granted to the Subscriber for the redemption by the Company.

Unless previously redeemed, each Preference Shares shall automatically be converted into an ordinary share of LT Game on the Conversion Date.

The fair value of the derivative component, representing the embedded redemption option entitled to the holders of the Preference Shares, was estimated at the issuance using an option pricing model and the change in fair value of that component is recognised in the income statement. The residual amount is assigned as the liability component.

The movement of the derivative and liability components of the Preference Shares during the year is set out below:

	2007	2006
	HK$'000	HK$'000
Derivative component		
At beginning of the year/date of issue	**2,947**	3,671
Fair value loss/(gain)	**2,417**	(724)
At end of the year	**5,364**	2,947

	2007	2006
	HK$'000	HK$'000
Liability component		
At beginning of the year/date of issue	**12,075**	11,929
Interest charged for the year	**1,903**	146
At end of the year	**13,978**	12,075

30. REDEEMABLE VOTING PREFERENCE SHARES (continued)

The interest charged for the year is calculated by applying an effective interest rate of 14.75% to the liability component.

The directors estimate the fair value of the liability component of the Preference Shares at 31 December 2007 to be approximately HK$15,114,000 (2006: HK$13,451,000). This fair value has been calculated by discounting the future cash flows at the market rate.

31. CONVERTIBLE LOANS

Pursuant to a subscription agreement dated 5 March 2007, the Company issued convertible notes with principal value of HK$33,000,000 on 14 March 2007 ("CN1"). The holders of CN1 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.12 each, at any time between the date of issue of CN1 and 14 March 2008. CN1 bears interests at 2% per annum payable on 14 March 2008. During the year, CN1 have been fully converted into ordinary shares of the Company.

Pursuant to a subscription agreement dated 22 October 2007, the Company issued convertible notes with principal value of HK$76,000,000 on 7 November 2007 ("CN2"). The holders of CN2 are entitled to convert the principal amount in whole or in multiples of HK$1,000,000 into new ordinary shares of the Company, at a conversion price of HK$0.20 each and at any time between the date of issue of CN2 and 31 December 2009. If CN2 are not converted before 31 December 2009, they will be redeemed at par on 31 December 2009. CN2 bears interests at 7% 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 provided in the Company's announcement dated 23 October 2007.

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

	CN1 HK$'000	**CN2** HK$'000	**Total** HK$'000
Nominal values of convertible loan notes issued	33,000	76,000	109,000
Transaction costs	(990)	(3,800)	(4,790)
Equity component	(1,164)	(1,299)	(2,463)
Liability component at date of issue	30,846	70,901	101,747
Interest charged	616	1,273	1,889
Converted into ordinary shares of the Company	(31,462)	–	(31,462)
Liability component at 31 December 2007	–	72,174	72,174

The interest charged for the year for CN1 and CN2 are calculated by applying effective interest rates of 7.39% and 9.30% respectively to the liability components since the loan notes were issued.

The directors estimate the fair value of the liability component at 31 December 2007 to be approximately HK$75,639,000. This fair value has been calculated by discounting the future cash flows at the market rate.

32. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group:

	Intangible assets HK$'000
At 1 January 2006	9,654
Addition on acquisition of a subsidiary	3,753
At 31 December 2006 and 31 December 2007	13,407

At 31 December 2007, the Group has unused tax losses of HK$141,600,000 (2006: HK$65,602,000) and other temporary differences of HK$10,301,000 (2006: HK$7,001,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses and other temporary differences due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$50,888,000 (2006: HK$10,491,000) that will be expired from 2008 to 2012. Other losses and temporary differences may be carried forward indefinitely.

33. SHARE CAPITAL

	2007 Number of shares	2006 Number of shares	**2007 HK$'000**	2006 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and at end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning of the year	**3,038,297,919**	2,763,297,919	**30,383**	27,633
Issue of shares on placement (Note a)	**200,000,000**	–	**2,000**	–
Issue of shares on conversion of convertible loans (Note 31)	**275,000,000**	–	**2,750**	–
Issue of shares on exercise of share options (Note 36)	**152,600,000**	275,000,000	**1,526**	2,750
Issue of shares on exercise of warrants (Note 29)	**200,000,000**	–	**2,000**	–
At end of the year	**3,865,897,919**	3,038,297,919	**38,659**	30,383

33. SHARE CAPITAL (continued)

Notes:

(a) On 30 October 2007, the Company and Fidelity Investments Management (Hong Kong) Limited, who acted on behalf of various independent investors, entered into a subscription agreement in respect of the subscription of 200,000,000 ordinary shares of HK$0.01 each at a price of HK$0.19 per share. The placement was completed on 10 December 2007 and the premium on the issue of shares amounting to approximately HK$36,000,000 was credited to the Company's share premium account.

(b) The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2007, 79.5% (2006: 75.3%) of the shares were in public hands.

34. BALANCE SHEET OF THE COMPANY

	2007 **HK$'000**	2006 HK$'000
Investments in subsidiaries	**496,538**	263,958
Other debtors and prepayments	**544**	73
Bank and cash balances	**200**	9
Other creditors and accruals	**(3,232)**	(8,628)
Amount due to directors	**(590)**	(874)
Derivative financial instruments	**(2,213)**	–
Convertible loans	**(72,174)**	–
NET ASSET	**419,073**	254,538
Share capital	**38,659**	30,383
Reserves	**380,414**	224,155
TOTAL EQUITY	**419,073**	254,538

35. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible loans reserve HK$'000	Option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	334,085	110,223	–	10,207	(263,095)	191,420
Issue of shares on exercise of share options	32,079	–	–	(12,429)	–	19,650
Recognition of share – based payments	–	–	–	19,582	–	19,582
Loss for the year	–	–	–	–	(6,497)	(6,497)
At 31 December 2006	366,164	110,223	–	17,360	(269,592)	224,155
Issue of shares on placement	36,000	–	–	–	–	36,000
Share issue expenses paid	(760)	–	–	–	–	(760)
Recognition of equity component of convertible loans	–	–	2,463	–	–	2,463
Issue of shares on conversion of convertible loans	29,876	–	(1,164)	–	–	28,712
Issue of shares on exercise of share options and warrants	95,473	–	–	(5,533)	–	89,940
Recognition of share – based payments	–	–	–	63,674	–	63,674
Loss for the year	–	–	–	–	(63,770)	(63,770)
At 31 December 2007	526,753	110,223	1,299	75,501	(333,362)	380,414

35. RESERVES (continued)

(c) Nature and purpose of 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 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, 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.

(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(q) to the financial statements.

(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(x) to the financial statements.

(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(e) to the financial statements.

36. 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 "New 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 valid and exercisable in accordance with the terms of the Old Scheme. The New Scheme will expire on 29 July 2017.

Initially, the total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2007, being the date of adoption of the New 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 a 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 New Scheme, if earlier.

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's 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.

36. SHARE-BASED PAYMENTS (continued)

Details of the movements in the Company's share options during the year ended 31 December 2007 are as follows:

Old Scheme

Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
			Number of share options				
Category: Directors							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	3,500,000	–	–	–	3,500,000
30.11.2006	30.11.2006 to 29.11.2011	0.0950	1,900,000	–	–	–	1,900,000
08.05.2007(C)	08.05.2007 to 07.05.2012	0.2420	–	20,000,000	–	–	20,000,000
25.05.2007	25.11.2007 to 24.05.2012	0.2900	–	20,000,000	–	–	20,000,000
Category: Employees							
13.08.2004	01.09.2004 to 12.08.2009	0.0810	4,000,000	–	(4,000,000)	–	–
03.01.2006	03.01.2006 to 02.01.2011	0.0810	12,000,000	–	(12,000,000)	–	–
20.02.2006	20.02.2006 to 19.02.2011	0.0810	4,000,000	–	(4,000,000)	–	–
08.05.2007 (A)	08.05.2007 to 07.05.2012	0.2420	–	12,500,000	(4,600,000)	–	7,900,000
08.05.2007 (B)	08.05.2008 to 07.05.2012	0.2420	–	12,500,000	–	(3,000,000)	9,500,000
Category: Consultants							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	23,375,000	–	–	–	23,375,000
01.11.2004	01.11.2004 to 31.10.2009	0.0860	25,000,000	–	–	–	25,000,000
20.02.2006	20.02.2006 to 19.02.2011	0.0810	125,000,000	–	(125,000,000)	–	–
31.07.2006	31.07.2006 to 30.07.2011	0.0910	280,000,000	–	–	–	280,000,000
14.03.2007	14.03.2007 to 13.03.2012	0.1400	–	3,000,000	(3,000,000)	–	–
08.05.2007 (C)	08.05.2007 to 07.05.2012	0.2420	–	243,000,000	–	–	243,000,000
Total all categories			478,775,000	311,000,000	(152,600,000)	(3,000,000)	634,175,000
Weighted average exercise price (HK$)			0.0876	0.2441	0.0810	0.2420	0.1637

36. SHARE-BASED PAYMENTS (continued)

Details of the movements in the Company's share options during the year ended 31 December 2007 are as follows: (continued)

New Scheme

			Number of share options				
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Category: Directors							
06.08.2007 (A)	06.12.2007 to 05.08.2009	0.3070	–	10,000,000	–	–	10,000,000
06.08.2007 (B)	06.03.2008 to 05.08.2009	0.3070	–	10,000,000	–	–	10,000,000
Category: Employees							
09.10.2007	09.10.2007 to 08.10.2012	0.1800	–	36,000,000	–	–	36,000,000
08.11.2007	08.11.2008 to 07.11.2012	0.2120	–	2,000,000	–	–	2,000,000
Category: Consultants							
06.08.2007 (C)	06.08.2007 to 05.08.2009	0.3070	–	15,000,000	–	–	15,000,000
09.10.2007	09.10.2007 to 08.10.2012	0.1800	–	228,000,000	–	–	228,000,000
Total all categories			–	301,000,000	–	–	301,000,000
Weighted average exercise price (HK$)			–	0.0529	–	–	0.0529

36. SHARE-BASED PAYMENTS (continued)

Details of the movements in the Company's share options during the year ended 31 December 2006 are as follows:

Old Scheme

			Number of share options				
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
Category: Directors							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	3,500,000	–	–	–	3,500,000
30.11.2006	30.11.2006 to 29.11.2011	0.0950	–	1,900,000	–	–	1,900,000
Category: Employees							
13.08.2004	01.09.2004 to 12.08.2009	0.0810	4,000,000	–	–	–	4,000,000
03.01.2006	03.01.2006 to 02.01.2011	0.0810	–	12,000,000	–	–	12,000,000
20.02.2006	20.02.2006 to 19.02.2011	0.0810	–	4,000,000	–	–	4,000,000
Category: Consultants							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	23,375,000	–	–	–	23,375,000
13.08.2004	01.09.2004 to 12.08.2009	0.0810	125,000,000	–	(125,000,000)	–	–
01.11.2004	01.11.2004 to 31.10.2009	0.0860	50,000,000	–	(25,000,000)	–	25,000,000
20.02.2006	20.02.2006 to 19.02.2011	0.0810	–	250,000,000	(125,000,000)	–	125,000,000
31.07.2006	31.07.2006 to 30.07.2011	0.0910	–	280,000,000	–	–	280,000,000
Total all categories			205,875,000	547,900,000	(275,000,000)	–	478,775,000
Weighted average exercise price (HK$)			0.0831	0.0862	0.0815	–	0.0876

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.3438 (2006: HK$0.0952).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 2.82 years (2006: 4.2 years).

The total equity-settled employees benefit (including directors' emoluments) recognised for the year ended 31 December 2007 was amounted to HK$13,276,000 (2006: HK$673,000).

36. SHARE-BASED PAYMENTS (continued)

Share options were granted to certain consultants pursuant to the consultancy agreements entered into between LifeTec Holdings, and each of the consultants for a period of five years commencing from the respective dates of the consultancy agreements as consideration for the below 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.

In the opinion of the directors of the Company, as the future economic benefits in relation to the services to be provided by these consultants are uncertain, the whole amount of HK$50,398,000 had been charged to the income statement for the year ended 31 December 2007 (2006: HK$18,909,000).

During the years ended 31 December 2006 and 2007, share options were granted by the Company on the below grant dates. The estimated fair values of the share options on those dates are determined using the Black-scholes model or Binomial models when appropriate. The respective fair values and significant inputs to the models are as follows:

For the year ended 31 December 2007

Old Scheme

	Share option grant date				
	14 March 2007	8 May 2007 (A)	8 May 2007 (B)	8 May 2007 (C)	25 May 2007
Fair value at the grant date	HK$191,000	HK$1,850,000	HK$1,850,000	HK$27,713,000	HK$2,742,000
Number of share options granted	3,000,000	12,500,000	12,500,000	263,000,000	20,000,000
Share price at the grant date	HK$0.140	HK$0.231	HK$0.231	HK$0.231	HK$0.290
Exercise price	HK$0.140	HK$0.242	HK$0.242	HK$0.242	HK$0.290
Expected volatility	63.91%	73.70%	73.70%	73.70%	73.70%
Expected life	3 years	5 years	5 years	3 years	3 years
Risk-free rate	3.984%	4.080%	4.080%	3.993%	4.151%
Expected dividend yield	–	–	–	–	–

36. SHARE-BASED PAYMENTS (continued)

New Scheme

	Share option grant date				
	6 August 2007 (A)	6 August 2007(B)	6 August 2007 (C)	9 October 2007	8 November 2007
Fair value at the grant date	**HK$944,000**	**HK$944,000**	**HK$1,386,000**	**HK$26,881,000**	**HK$250,000**
Number of share options granted	**10,000,000**	**10,000,000**	**15,000,000**	**264,000,000**	**2,000,000**
Share price at the grant date	**HK$0.250**	**HK$0.250**	**HK$0.250**	**HK$0.180**	**HK$0.200**
Exercise price	**HK$0.307**	**HK$0.307**	**HK$0.307**	**HK$0.180**	**HK$0.212**
Expected volatility	**76.35%**	**76.35%**	**76.35%**	**94.01%**	**101.60%**
Expected life	**2 years**	**2 years**	**2 years**	**3 years**	**3 years**
Risk-free rate	**3.935%**	**3.935%**	**3.935%**	**3.858%**	**2.612%**
Expected dividend yield	**–**	**–**	**–**	**–**	**–**

For the year ended 31 December 2006

Old Scheme

	Share option grant date			
	3 January 2006	20 February 2006	31 July 2006	30 November 2006
Fair value at the grant date	HK$470,000	HK$8,253,000	HK$10,786,000	HK$73,000
Number of share options granted	12,000,000	254,000,000	280,000,000	1,900,000
Share price at the grant date	HK$0.080	HK$0.080	HK$0.090	HK$0.094
Exercise price	HK$0.081	HK$0.081	HK$0.091	HK$0.095
Expected volatility	71.26%	62.37%	65.07%	56.81%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	4.060%	4.055%	4.326%	3.678%
Expected dividend yield	–	–	–	–

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

Total consideration received during the year from directors, employees and consultants for accepting the options granted amounted to HK$50 (2006: HK$26).

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

Included in creditors and accrued charges as at 31 December 2007 was an amount of HK$18,126,000 (2006: HK$9,781,000) in respect of the purchase of property, plant and equipment not yet paid for at the balance sheet date.

38. CONTINGENT LIABILITIES

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 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 Defence 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 it will not have any material adverse impact on the Group's operations.

39. OPERATING LEASE COMMITMENTS

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

	2007 **HK$'000**	2006 HK$'000
Within one year	**8,570**	2,411
In the second to fifth year inclusive	**15,970**	1,296
	24,540	3,707

Leases are negotiated for average terms of one to four years and rentals are fixed throughout the terms of respective leases.

40. CAPITAL AND OTHER COMMITMENTS

	2007 **HK$'000**	2006 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of a subsidiary	**5,000**	–
Acquisition of the beneficial rights to drugs under development	**5,351**	5,000
Acquisition of property, plant and equipment	**11,086**	55
	21,437	5,055
Research and development expenditure contracted for but not provided in the financial statements	**14,368**	14,488

41. RELATED PARTY TRANSACTIONS

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

	Directors		Associate		Related parties	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Consultancy fees paid to (Note a)	**–**	–	**–**	–	**319**	–
Management fees income from (Note b)	**–**	–	**–**	120	**–**	–
Maintenance expenses paid to (Note b)	**–**	–	**–**	60	**–**	–
Property, plant and equipment acquired from (Note b & c)	**–**	–	**–**	–	**213**	–
Salaries and allowances (Note b & d)	**–**	–	**–**	–	**1,050**	50
Amount due from (Note e & f)	**–**	–	**8,998**	8,609	**–**	–
Amounts due to (Note e)	**1,411**	1,383	**–**	–	**60**	663

Notes:

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

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

(c) A director, Mr. Law Wing Kit, Stephen, has significant influence over the related company.

(d) The related party is the spouse of a director, Mr. Jay Chun.

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

(f) HK$389,000 (2006: HK$867,000) impairment has been made for the year for the amount due from an associate as set out in note 20 to the financial statements.

42. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company and Global Markets Inc Limited ("GMI") entered into a conditional placing agreement in respect of the placement of 115,976,938 warrants at an issue price of HK$0.01 per warrant. These warrants confer the right to subscribe for ordinary shares of the Company of HK$0.01 each, at an exercise price of HK$0.19 per ordinary shares of the Company, subject to adjustment. Upon full exercise of these warrants, an aggregate of 115,976,938 ordinary shares of the Company of HK$0.01 each will be issued.

Details of the above are set out in the Company's announcement dated 11 March 2008.

43. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of shares	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Anica Limited	British Virgin Islands	US$50,000	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Assets Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Property holding
CTI Limited	Hong Kong	HK$10	Ordinary	70%	–	70%	Inactive
Gold Corner International Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Gold Eagle Technology Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Golden Butterfly Investments Limited	British Virgin Islands	US$100	Ordinary	95%	–	95%	Investment holding
Hainan Kangwei Medicine Co., Ltd. (note a)	PRC	RMB2,000,000	Registered capital	98.5%	–	100%	Trading of biopharmaceutical products
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	100%	–	100%	Inactive
LGH Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of shares	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Provision of management services
LifeTec Group (China) Limited	British Virgin Island	US$1	Ordinary	100%	–	100%	Inactive
LifeTec (Holdings) Limited	British Virgin Island	HK$141,176	Ordinary	100%	100%	–	Investment holding
LifeTec Pharmaceutical Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
LT Finance Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Game Limited	British Virgin Islands	US$4,100 US$900 (Note 30)	Ordinary Redeemable voting preference	100% (Note 30)	–	100% (Note 30)	Development of electronic gaming system
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	100%	–	100%	Operating of electronic gaming system
LT Union Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Master Mind Technology Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Shanghai Youheng Biotechnology Limited (note b)	PRC	HK$5,600,000	Ordinary	95%	–	100%	Research and development of biopharmaceutical products

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of shares	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Sino Flow Investments Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Sunny Link Trading Limited	Hong Kong	HK$2	Ordinary	100%	–	100%	Inactive
Weihai Genen Biotech Limited (note b)	PRC	US$2,000,000	Registered capital	100%	–	100%	Research and development of biopharmaceutical products
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	100%	–	100%	Inactive

Notes:

(a) The subsidiary is established in the PRC as a domestic enterprise.

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

(c) Apart from Hainan Kangwei, Shanghai Youheng Biotechnology Limited and Weihai Genen Biotech Limited which carry out their principal activities in the PRC; and LT Game and LT Macau which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

44. ASSOCIATE

Particulars of the Group's principal associate as at 31 December 2007 are as follows:

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

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2008.

Financial Summary

	For the year ended 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
RESULTS					
Turnover	57,213	64,179	85,478	94,669	**130,519**
Profit/(loss) before tax	38,559	(58,280)	(23,203)	(47,745)	**(172,077)**
Taxation	(7)	(2,504)	(1,197)	73	**(374)**
Profit/(loss) for the year	38,552	(60,784)	(24,400)	(47,672)	**(172,451)**
Attributable to:					
Equity holders of the Company	36,848	(60,992)	(24,095)	(47,704)	**(172,451)**
Minority interests	1,704	208	(305)	32	**–**
	38,552	(60,784)	(24,400)	(47,672)	**(172,451)**

ASSETS AND LIABILITIES

	At 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Total assets	289,834	257,364	257,222	301,716	**470,495**
Total liabilities	(30,545)	(28,262)	(34,654)	(87,698)	**(191,218)**
Total equity	259,289	229,102	222,568	214,018	**279,277**