



# PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The directors of Paradise Entertainment Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 as follows:

### AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

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

# AUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>122,577</b>	57,412
Investment properties		<b>4,850</b>	3,630
Intangible assets		<b>90,520</b>	90,471
Interest in an associate		—	—
Deposits paid for acquisition of non-current assets		<b>15,292</b>	—
Payments for investments		<b>61,002</b>	56,994
Deposit paid for acquisition of a subsidiary		<b>7,800</b>	—
		<b>302,041</b>	208,507
<b>Current assets</b>			
Inventories		<b>25</b>	1,526
Debtors and prepayments	<i>10</i>	<b>46,944</b>	31,357
Advances to consulting companies		<b>52,083</b>	48,287
Bank and cash balances		<b>69,402</b>	12,039
		<b>168,454</b>	93,209
<b>Less: Current liabilities</b>			
Creditors and accrued charges	<i>11</i>	<b>78,531</b>	53,003
Amounts due to directors		<b>1,411</b>	1,383
Amount due to a related party		<b>60</b>	663
Bank borrowings		—	36
Obligation under finance leases		<b>242</b>	227
Derivative financial instruments		<b>7,577</b>	2,947
Redeemable voting preference shares		<b>13,978</b>	—
Current tax liabilities		<b>3,332</b>	3,209
		<b>105,131</b>	61,468
<b>Net current assets</b>		<b>63,323</b>	31,741
<b>Total assets less current liabilities</b>		<b>365,364</b>	240,248

	2007 HK\$'000	2006 HK\$'000
<b>Non-current liabilities</b>		
Obligation under finance leases	506	748
Redeemable voting preference shares	—	12,075
Convertible loans	72,174	—
Deferred tax liabilities	13,407	13,407
	<u>86,087</u>	<u>26,230</u>
<b>Net assets</b>	<u><u>279,277</u></u>	<u><u>214,018</u></u>
<b>Capital and reserves</b>		
Share capital	38,659	30,383
Reserves	240,618	183,635
	<u>279,277</u>	<u>214,018</u>
<b>Equity attributable to equity holders of the Company and total equity</b>	<u><u>279,277</u></u>	<u><u>214,018</u></u>

Notes:

## 1. QUALIFICATION IN THE AUDITOR'S REPORT

In relation to biopharmaceutical business, the Company's auditors could not obtain sufficient audit evidence to access whether the intangible assets and payments for investments amounting to HK\$90,520,000 and HK\$61,002,000 respectively, as well as the leasehold improvement and plant and machinery amounting to HK\$28,030,000 included in the property, plant and equipment, were fairly stated in the consolidated balance sheet as at 31 December 2007 and the corresponding opening balances amounting to HK\$90,471,000, HK\$56,994,000 and HK\$32,206,000 were fairly stated in the consolidated balance sheet as at 31 December 2006. Accordingly, the auditors have qualified their report in these respects. The qualified auditor's report is included in the Company's annual report 2007.

## 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 policies 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.

### 4. 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

**For the year ended 31 December 2007**

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

**At 31 December 2007**

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

**For the year ended 31 December 2007**

	<b>Biophar- maceutical HK\$'000</b>	<b>Gaming HK\$'000</b>	<b>Others HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
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	<u>–</u>	<u>–</u>	<u>–</u>	<u>63,674</u>	<u>63,674</u>

**For the year ended 31 December 2006**

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

**At 31 December 2006**

	Biophar- maceutical <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	261,543	29,581	4,893	296,017
Unallocated corporate assets				5,699
Consolidated total assets				301,716
<b>Liabilities</b>				
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 <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

**(b) Secondary reporting format-geographical segments**

	Revenue		Total assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

## 5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank borrowings	–	9
Finance charges on finance leases	52	74
Interest on liability component of convertible loans	1,889	–
Interest on liability component of redeemable voting preference shares	1,903	146
	<u>3,844</u>	<u>229</u>

## 6. INCOME TAX EXPENSE/(CREDIT)

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
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.

## 7. LOSS FOR THE YEAR

Loss for the year is stated at after charging:

	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	50,398	18,909
Loss on disposal of property, plant and equipment	3	136
Operating lease rentals paid in respect of rented premises ( <i>Note</i> )	4,839	3,353
Staff cost		
– Directors' emoluments		
– As directors	360	360
– For management		
– Salaries & allowances	7,359	5,657
– Equity settled share-based payments	6,363	73
– Retirement benefit scheme contributions	12	12
	14,094	6,102
– Other staff		
– Salaries and allowances	14,775	8,108
– Equity settled share-based payments	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).

## 8. DIVIDENDS

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



## 9. LOSS PER SHARE

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

	2007 HK\$'000	2006 HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share	<u>(172,451)</u>	<u>(47,704)</u>
<b>Number of shares</b>		
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	<u>112,328,767</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>3,400,583,123</u>	<u>2,894,739,015</u>

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.

## 10. DEBTORS AND PREPAYMENTS

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

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:

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

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
181 to 365 days	<b>1,163</b>	2,883
Over 365 days	<b>212</b>	1,365
	<b>1,375</b>	4,248

## 11. CREDITORS AND ACCRUED CHARGES

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

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

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

## **BUSINESS REVIEW**

During the year, the Group has made significant expansion in the gaming related 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 section, pharmaceutical section 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.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of 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.

### **Code Provision A.2.1**

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

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

### **Code Provision A.4.1**

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

Currently, only one of the three independent non-executive directors is appointed for a specific term. However, all executive and independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the By-laws of the Company, and their appointment will be reviewed when they are due for re-election.

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

Under this code provision, the Chairman of the Board should attend and chair the annual general meeting of the Company.



The Chairman did not attend and chair the 2007 annual general meeting as he was engaged in other business of the Company.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely, Mr. Frank Hu (Chairman of the Audit Committee), Ms. Ma Shiwei and Mr. Li John Zongyang.

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.

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

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the year.

## **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.

## **Appreciation**

The Group has made a number of outstanding records in 2007 in the launch of the Macau gaming related 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.

As at the date of this announcement, the executive directors of the Company are Mr. Jay Chun (Chairman and Managing Director), Mr. Shan Shiyong, alias, Sin Sai Yung, Dr. Ma Xianming, alias, Ma Yin Ming, Mr. Law Wing Kit, Stephen and Mr. Park Aaron Changmin and the independent non-executive directors are Mr. Frank Hu, Ms. Ma Shiwei and Mr. Li John Zongyang.

By Order of Board  
**Paradise Entertainment Limited**  
**Jay Chun**  
*Chairman*

Hong Kong, 25 April 2008

\* *for identification purpose only*