PARADISE

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 2008

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 2008 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
Turnover	*4*	**219,329**	130,519
Cost of sales and services		**(206,323)**	(110,871)
Gross profit		**13,006**	19,648
Other operating income		**6,575**	4,159
Marketing, selling and distribution costs		**(32,463)**	(17,732)
Administrative expenses		**(83,683)**	(67,602)
Share-based payments		**(1,234)**	(63,674)
Research and development expenditure		**(2,699)**	(2,526)
Impairment loss for doubtful debts		**(187)**	(3,689)
Finance costs	*5*	**(11,657)**	(3,844)
Fair value loss on derivative financial instruments		**(3,148)**	(36,817)
Gain on derecognition of derivative financial instruments		**10,725**	–
Gain on deemed disposal of a subsidiary		**15,600**	–
Loss before tax		**(89,165)**	(172,077)
Income tax expense	*6*	**(3,542)**	(374)
Loss for the year	*7*	**(92,707)**	(172,451)
Attributable to:			
Equity holders of the Company		**(92,707)**	(172,451)
Minority interests		**–**	–
		(92,707)	(172,451)
Loss per share (HK cents)	*9*		
– Basic		**(2.40)**	(5.07)
– Diluted		**N/A**	N/A

AUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**159,658**	122,577
Investment property		**–**	4,850
Intangible assets		**90,566**	90,520
Interest in an associate		**–**	–
Deposits paid for acquisition of non-current assets		**945**	15,292
Payments for investments		**64,741**	61,002
Deposit paid for acquisition of a subsidiary		**7,800**	7,800
		323,710	302,041
Current assets			
Inventories		**193**	25
Debtors, deposits and prepayments	*10*	**35,738**	46,944
Advances to consulting companies		**29,071**	52,083
Bank and cash balances		**43,954**	69,402
		108,956	168,454
Current liabilities			
Creditors and accrued charges	*11*	**76,573**	78,531
Amounts due to directors	*12*	**1,550**	1,411
Amount due to a related party	*12*	**58**	60
Other borrowings – due within one year		**10,029**	–
Obligations under finance leases – due within one year		**257**	242
Derivative financial instruments		**–**	7,577
Redeemable voting preference shares		**–**	13,978
Convertible loans – due within one year		**73,933**	–
Current tax liabilities		**2,594**	3,332
		164,994	105,131
Net current (liabilities) assets		**(56,038)**	63,323
Total assets less current liabilities		**267,672**	365,364

	NOTES	2008	2007
		HK$'000	*HK$'000*
Non-current liabilities			
Other borrowings – due after one year		**39,006**	–
Obligations under finance leases – due after one year		**249**	506
Convertible loans – due after one year		**12,504**	72,174
Deferred tax liabilities	*13*	**16,763**	13,407
		68,522	86,087
Net assets		**199,150**	279,277
Capital and reserves			
Share capital		**38,659**	38,659
Reserves		**160,491**	240,618
Equity attributable to equity holders of the Company		**199,150**	279,277
Minority interests		**–**	–
Total equity		**199,150**	279,277

Notes:

1. INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of opinion

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

In connection with the Group's biopharmaceutical business, the Group had intangible assets of approximately HK$90,566,000 stated in the consolidated balance sheet as at 31 December 2008 relating to beneficial rights to drugs under development not yet available for use; deferred tax liabilities of approximately HK$16,763,000 on the intangible assets relating to beneficial rights to drugs under development not yet available for use; 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 2008 at a total carrying amount of approximately HK$64,741,000; and leasehold improvements and plant and machinery with carrying amounts of approximately HK$22,913,000 as at 31 December 2008 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, and the related deferred tax liabilities on the intangible assets relating to beneficial rights to drugs under development not yet available for use. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment in value should be made in the consolidated 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 2008, the results of the Group for the year then ended and the related disclosures thereof in the consolidated 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

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 approximately HK$90,520,000 and payments for investments of approximately HK$61,002,000 stated in the consolidated balance sheet as at 31 December 2007; and leasehold improvements and plant and equipment with carrying amounts of approximately HK$28,030,000 included in property, plant and equipment stated in the consolidated balance sheet as at 31 December 2007. 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 2007, the results of the Group for the years ended 31 December 2008 and 2007 and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the basis of opinion paragraph point (1) and (2) only, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following amendments and interpretations ("INTS") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]

HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-INT 18	Transfer of Assets from customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods beginning on or after 1 July 2008.

[5] Effective for annual periods beginning on or after 1 October 2008.

[6] Effective for transfers of assets from customers received on or after 1 July 2009.

[7] Effective for annual periods ending on or after 30 June 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$56,038,000 and incurred loss of approximately HK$92,707,000 and net cash outflow of approximately HK$25,536,000 for the year then ended. In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses;

2. the directors have implemented measures to tighten cost controls over various marketing, selling and distribution costs and administrative expenses and to improve the Group's positive cashflow positions and operating results;

3. as set out in note 14, the new issuance of HK$96,000,000 convertible notes and the redemption of HK$73,933,000 convertible notes were completed on 20 February 2009.

On the basis that the continuing availability of the financial supports provided by independent third parties and the implementation of other measures with a view to improve its working capital and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. TURNOVER AND SEGMENT INFORMATION

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.

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

Biopharmaceutical – research, development and sale of biopharmaceutical products

Gaming – sale of live baccarat betting units and development and operation of electronic gaming system

For the year ended 31 December 2008

	Biopharmaceutical *HK$'000*	**Gaming** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue	**124,402**	**94,927**	**–**	**219,329**
Segment results	**(10,452)**	**(65,050)**	**2,387**	**(73,115)**
Unallocated operating income				**202**
Unallocated corporate expenses				**(31,232)**
Finance costs				**(11,657)**
Fair value loss on derivative financial instruments				**(3,148)**
Gain on derecognition of derivative financial instruments				**10,725**
Gain on deemed disposal of a subsidiary				**15,600**
Gain on disposal of an investment property				**3,460**
Loss before tax				**(89,165)**
Income tax expenses				**(3,542)**
Loss for the year				**(92,707)**

At 31 December 2008

	Biophar-maceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	**228,873**	**138,352**	**1,016**	**368,241**
Unallocated corporate assets				**64,425**
Consolidated total assets				**432,666**
Liabilities				
Segment liabilities	**56,937**	**37,018**	**52**	**94,007**
Unallocated corporate liabilities				**139,509**
Consolidated total liabilities				**233,516**

For the year ended 31 December 2008

	Biophar-maceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital expenditure	**30**	**66,784**	**–**	**108**	**66,922**
Depreciation of property, plant and equipment	**6,927**	**22,533**	**119**	**397**	**29,976**
Gain on disposal of property, plant and equipment	**76**	**–**	**–**	**–**	**76**
Gain on disposal of an investment property	**–**	**–**	**–**	**3,460**	**3,460**
Loss on disposal of financial assets at fair value through profit or loss	**–**	**–**	**–**	**487**	**487**
Impairment loss for amount due from an associate	**–**	**–**	**–**	**187**	**187**
Share-based payments	**–**	**–**	**–**	**1,234**	**1,234**

For the year ended 31 December 2007

	Biophar-maceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	113,892	16,627	–	130,519
Segment results	(14,268)	(24,008)	1,585	(36,691)
Unallocated operating income				2,235
Unallocated corporate expenses				(96,960)
Finance costs				(3,844)
Fair value loss on derivative financial instruments				(36,817)
Loss before tax				(172,077)
Income tax expenses				(374)
Loss for the year				(172,451)

At 31 December 2007

	Biophar-maceutical *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

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
Loss on disposal of property, plant and equipment	3	–	–	–	3
Impairment loss for amount due from an associate	–	–	–	389	389
Impairment loss of trade debtors	3,300	–	–	–	3,300
Share-based payments	–	–	–	63,674	63,674

(b) Secondary reporting format – geographical segments

	Revenue		**Total assets**		**Capital expenditure**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The PRC and Hong Kong	**124,402**	113,887	**173,941**	354,966	**10,762**	272
Macau	**94,927**	16,632	**258,725**	115,529	**56,160**	75,984
	219,329	130,519	**432,666**	470,495	**66,922**	76,256

5. FINANCE COSTS

	2008 ***HK$'000***	2007 *HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**3,160**	–
Obligations under finance leases wholly repayable within five years	**37**	52
Bank overdraft	**4**	–
Effective interests on:		
Convertible loans	**6,834**	1,889
Redeemable voting preference shares	**1,622**	1,903
	11,657	3,844

6. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax – outside Hong Kong		
– current year	**186**	–
– under-provision in previous year	**–**	374
Deferred tax:		
– attributable to a change in tax rate (note 13)	**3,356**	–
	3,542	374

(i) Hong Kong Profits Tax

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

(ii) PRC Enterprise Income Tax

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed below will continue after the New Law.

Pursuant to the approvals obtained from the relevant PRC tax authorities, the applicable tax rate for the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd ("Hainan Kangwei") was 15% for the year ended 31 December 2007. Pursuant to the notice dated 26 December 2007 issued by the PRC tax authorities, the applicable tax rates of Hainan Kangwei for 2008, 2009, 2010 and 2011 are 18%, 20%, 22% and 24% respectively. Hainan Kangwei is subjected to PRC Enterprise Income Tax rate of 25% commencing from 1 January 2012.

For other operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2007: 33%) prevailing in the PRC during both years with certain tax preference.

(iii) Overseas income tax

Tax charge on assessable profits 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.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration		
– current year	**700**	1,044
– under-provision in previous year	**–**	77
Cost of inventories recognised as an expenses	**122,008**	100,008
Depreciation of property, plant and equipment	**29,976**	13,157
Direct operating expenses in respect of an investment property that did not generate rental income	**42**	6
Equity-settled consultancy fees	**–**	50,398
Loss on disposal of property, plant and equipment	**–**	3
Loss on disposal of financial assets at fair value through profit or loss	**487**	–
Operating lease rentals paid in respect of rented premises *(Note)*	**5,800**	4,839
Impairment loss for amount due from an associate	**187**	389
Impairment loss for trade debtors	**–**	3,300
Staff costs		
– Directors' emoluments	**8,448**	14,094
– Other staffs		
– Salaries and other benefits	**34,749**	14,775
– Equity-settled share-based payments	**702**	6,913
– Retirement benefits scheme contributions	**556**	459
Total staff costs	**44,455**	36,241

Note: The amount includes the accommodation benefits provided to a director amounting to HK$1,233,000 (2007: HK$1,164,000).

8. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

9. LOSS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(92,707)**	(172,451)

	2008	2007
Number of shares		
Issued ordinary shares at 1 January	**3,865,897,919**	3,038,297,919
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
Effect of exercise of warrants	**–**	112,328,767
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,865,897,919**	3,400,583,123

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007, no diluted loss per share was presented for both years.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Trade debtors	**29,812**	47,752
Less: Accumulated impairment losses	**(10,301)**	(10,301)
	19,511	37,451
Other debtors, deposits and prepayments	**16,227**	9,493
	35,738	46,944

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 the People's Republic of China (the "PRC").

An ageing analysis of the trade debtors net of impairment loss recognised at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**7,642**	**20,162**
31 – 60 days	**4,160**	**10,591**
61 – 90 days	**1,486**	**3,711**
91 – 180 days	**5,004**	**1,612**
181 – 365 days	**1,219**	**1,163**
Over 365 days	**–**	**212**
	19,511	**37,451**

11. CREDITORS AND ACCRUED CHARGES

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

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**12,476**	16,059
31 – 60 days	**5,332**	10,493
61 – 90 days	**7,684**	1,542
91 – 180 days	**12,901**	3,928
More than 365 days	**202**	855
Trade creditors	**38,595**	32,877
Other creditors and accrued charges	**29,923**	37,402
Value added tax payable	**8,055**	8,252
	76,573	78,531

12. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the year:

	Directors		Associate		Related parties	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Consultancy fees paid to *(notes a & b)*	**–**	–	**–**	–	**534**	319
Property, plant and equipment acquired from *(notes b & c)*	**–**	–	**–**	–	**–**	213
Salaries and allowances paid to *(notes b & d)*	**–**	–	**–**	–	**1,200**	1,050
Amount due from *(notes e & f)*	**–**	–	**9,185**	8,998	**–**	–
Amounts due to *(notes d & e)*	**1,550**	1,411	**–**	–	**58**	60

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) Approximately HK$187,000 (2007: HK$389,000) impairment has been made for the year for the amount due from an associate as set out in note 7.

(g) The Group's obligations under finance leases are secured by the personal guarantee executed by a director, Mr. Jay Chun.

13. DEFERRED TAX LIABILITIES

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

	Intangible assets
	HK$'000
At 1 January 2007, 31 December 2007 and 1 January 2008	13,407
Effect of change in tax rate *(note 6)*	3,356
At 31 December 2008	16,763

At 31 December 2008, the Group has unused tax losses of approximately HK$141,626,000 (2007: HK$141,600,000) 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 approximately HK$50,888,000 (2007: HK$50,888,000) that will be expired from 2008 to 2012. Other losses and temporary differences may be carried forward indefinitely.

14. EVENTS AFTER THE BALANCE SHEET DATE

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"). On 25 November 2008, the Company entered into a subscription agreement with the CN2 holder. Pursuant to the subscription agreement, the CN2 holder would subscribe for convertible notes in an aggregate principal amount of HK$96,000,000 ("CN4") to be issued by the Company. On 28 November 2008, the Company also entered into a redemption agreement with the CN2 holder. Pursuant to the redemption agreement, CN2 shall be fully redeemed by the Company upon the subscription and issuance of CN4. The redemption payments of CN2 shall be set off with the subscription proceeds of CN4. The holder of CN4 is 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$0.032 each and at any time between 1 June 2009 and 31 December 2013. If CN4 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN4 bears interest at 8% per annum payable quarterly on or before the fifth business day of January, April, July and October in each year until their settlement date.

The subscription was approved by the Company's shareholders at a special general meeting held on 13 February 2009. The subscription and issuance of CN4 and the early redemption of CN2 were completed on 20 February 2009.

Details of the above are set out in the Company's announcement dated 22 January 2009.

BUSINESS REVIEW

During the year, the Group has made significant expansion in the gaming business in Macau. The gaming revenue has seen very strong growth in 2008. The turnover of gaming section increased by 470% from approximately HK$16,627,000 for the year 2007 to approximately HK$94,927,000 for the year 2008. We foresee this momentum will continue in the future. On the other segment of the Group, the biopharmaceutical business in China continued to see sales growth of 9%, year-over-year, from about HK$113,892,000 in 2007 to a record high of about HK$124,402,000 in 2008. Our biopharmaceutical operations in the PRC posted an operating loss of about HK$10,452,000 in 2008 (2007: HK$14,268,000), a decrease of 26.7% compared with that of the previous year.

Turnover and Profit

The Group reported a turnover of about HK$219,329,000 for the year ended 31 December 2008, representing an increase of 68% as compared to about HK$130,519,000 for the previous year. Overall, net loss decreased from HK$172,451,000 for 2007 to about HK$92,707,000 or 2.40 Hong Kong cents per share for the year ended 31 December 2008, compared to a net loss of about HK$172,451,000 or 5.07 Hong Kong cents per share for the previous year.

Gaming Business

The gaming business of Paradise Entertainment Limited is conducted through our subsidiaries, LT (Macau) Limited ("LT Macau") and LT Game Limited ("LT Game") which are the signing parties to the income-sharing collaboration agreements with casino operators and gaming concessionaire. The signing of collaboration agreement with Sociedade De Jogos De Macau, S.A. in August 2008 demonstrates our full confidence in the gaming market of Macau.

The year 2008 was an exciting year for the Group, a year marked with the expansion of the much-anticipated Casino Kam Pek Paradise previously known as Casino Paradise Entertainment in Macau. Casino Kam Pek Paradise, our flagship casino venue at San Kin Yip Commercial Center, adjacent to Lisboa Hotel & Casino and opposite to Wynn Resort, occupies over 100,000 sq. ft.. It offers the most exhilarating e-table and stimulating and inspired traditional table games.

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. E-table games offer live-dealer with a digital network of touch screen betting terminals with real time images of card dealing being broadcasted to the screens of the betting terminals. The LIVE baccarat system 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. The number of our income-sharing terminals in Macau increased to over 500 terminals in 2008. It is anticipated that live-dealer sicbo, roulette and fish-prawn-crab games will be offered in the near future.

Biopharmaceutical Business

The Group's biopharmaceutical business is conducted through LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). The turnover of LifeTec Pharmaceutical for the year ended 31 December 2008 increased from about HK$113,892,000 to about HK$124,402,000, representing a period-to-period rise of 9%. The cost control measures effectively reduced net loss for pharmaceutical section from about HK$14,268,000 for previous year to about HK$10,452,000 for the year ended 31 December 2008.

Marketing, Sales and Distribution

Based on the integrated direct sales team and other measures adopted in 2008, the Company adjusted or replaced sales agents in a number of cities with poor sales performance, and resulted in a dramatic increase in sales of Wei Jia. The distribution network of generic drugs has also been further developed, with steady growth in sales volume.

Research and Development

Wei Jia

Our Wei Jia preparation method has been awarded the invention patent certificate by the State Intellectual Property Office in 2008 for a term up to 28 March 2023, thus consolidated our leading position in the field of Hepatocyte Growth Promoting Factors.

Generic Drugs

In 2008, the Company has two generic drugs passed the technical review of the State Food and Drug Administration ("SFDA"), and expected to obtain the production approval in the near future. Other generic drugs have been submitted for the review of the SFDA, or in their final preparation stages before such submission.

Prospects

We have seen strong demand for our gaming system in the international market. A number of casino operators in the United States, Europe and Asia have indicated their keen interest in installing the LIVE Baccarat system in their casinos. During the year, our LIVE Baccarat system has been installed in different casinos in Asia. It presents a new driver to the future growth of our Group. To strengthen our presence in the electronic gaming industry, we will participate in a number of gaming trade shows to exhibit our new gaming products in Macau, the United States and Europe.

Gaming revenue from VIP and mass market table gaming operations posted a stable growth. Amid Macau's economic woes such as tightening of visa application for Mainland residents to Macau in recent months, we consider our results in 2008 to be satisfactory among our competitors.

In view of the general economic conditions and in particular the challenges to our business, we strive to maintain sustainable growth of gaming revenue in Macau and expand our business into the global gaming market.

Apart from gaming section, pharmaceutical section is also 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 production pipeline of the Group will be increased significantly.

Liquidity and Financial Resources

As at the balance sheet date, the Group's aggregate borrowings and finance leases stood at about HK$49,541,000 of which about HK$10,286,000 was payable within 12 months and about HK$39,255,000 was payable between 2 to 5 years. Current liabilities of the Group increased from about HK$105,131,000 to about HK$164,994,000, representing an increase of 57%. The position of the Group has changed from net current assets of about HK$63,323,000 for last year to net current liabilities of about HK$56,038,000 as at the balance sheet date. The Group's total liabilities at the balance sheet date amounted to about HK$233,516,000 (2007: HK$191,218,000). The Group's total assets at the balance sheet date amounted to about HK$432,666,000 (2007: HK$470,495,000). Accordingly, the percentage of total liabilities to total assets as at 31 December 2008 stood at 54% which is higher than the corresponding figure of 41% as of 31 December 2007.

As at 31 December 2008, 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 the PRC and Macau and the income derived and expenses incurred are denominated in Renminbi and Macau Pataca ("MOP") respectively. On the other hand, the expenses of the headquarters are denominated in Hong Kong dollars and are financed by fund raised in Hong Kong dollars. Due to the relatively matched position among Hong Kong, Macau and the PRC and the stability of the exchange rates between Renminbi and Hong Kong dollars and between MOP and Hong Kong dollars, the directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2008, 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$608,000 (2007: HK$869,000).

Organization and Staff

The Group has about 287 staff in total as at the balance sheet date. The majority of the staff includes staff of the Group's gaming business in Macau and sales and marketing executives located in China. The Group is actively seeking key personnel to join the sales and marketing as well as the research and development team in Macau in order to cope with the rapid growing operations.

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

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 2008 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 Bye-laws of the Company, and their terms of 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 2008 annual general meeting as he was engaged in other commitments of the Company.

AUDIT COMMITTEE

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

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 2008.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they 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 purchased, sold or redeemed any of the Company's listed shares during the year.

APPRECIATION

On behalf of the Board of Directors of the Company, 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 and Dr. Ma Xianming, alias, Ma Yin Ming and the independent non-executive directors of the Company are Mr. Frank Hu, Mr. Li John Zongyang and Mr. Hu Wenxiang.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman

Hong Kong, 24 April 2009