



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

RESULTS

The board of directors (the “Board”) of Paradise Entertainment Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		Six months ended 30 June 2008	2007
		HK\$'000	HK\$'000
Turnover	3	92,015	54,375
Cost of sales and services		(77,118)	(45,595)
Gross profit		14,897	8,780
Other operating income		885	4,239
Marketing, selling and distribution expenses		(8,711)	(7,765)
Share-based payments		(1,146)	(36,795)
Research and development expenditure		(1,333)	(1,599)
Impairment loss for doubtful debts	4	(177)	(266)
Administrative expenses		(52,187)	(28,113)
Loss from operations	5	(47,772)	(61,519)
Finance costs		(4,829)	(1,326)
Fair value (loss) / gain on derivative financial instruments		(935)	305
Loss before tax		(53,536)	(62,540)
Income tax expense	6	—	(387)
Loss for the period		<u>(53,536)</u>	<u>(62,927)</u>
Attributable to:			
Equity holders of the Company		(53,536)	(62,927)
Minority interests		—	—
		<u>(53,536)</u>	<u>(62,927)</u>
Loss per share (HK Cents)	7		
– Basic		<u>(1.38)</u>	<u>(2.02)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	112,912	122,577
Investment properties		4,850	4,850
Intangible assets	13	90,566	90,520
Interest in an associate		—	—
Deposits paid for acquisition of non-current assets		13,422	15,292
Payments for investments	14	64,787	61,002
Deposit paid for acquisition of a subsidiary		7,800	7,800
		<u>294,337</u>	<u>302,041</u>
Current assets			
Inventories		3,287	25
Debtors and prepayments	9	63,618	46,944
Advances to consulting companies		55,537	52,083
Bank and cash balances		36,557	69,402
		<u>158,999</u>	<u>168,454</u>
Less : Current liabilities			
Creditors and accrued charges	10	73,064	78,531
Amounts due to directors		698	1,411
Amount due to a related party		—	60
Borrowings	20	6,988	—
Obligation under finance leases	11	249	242
Derivative financial instruments	21	8,512	7,577
Redeemable voting preference shares	22	15,039	13,978
Current tax liabilities		2,999	3,332
		<u>107,549</u>	<u>105,131</u>
Net current assets		<u>51,450</u>	<u>63,323</u>
Total assets less current liabilities		<u>345,787</u>	<u>365,364</u>
Non-current liabilities			
Obligation under finance leases	11	379	506
Borrowings	20	23,387	—
Convertible loans	19	73,181	72,174
Deferred tax liabilities		13,407	13,407
		<u>110,354</u>	<u>86,087</u>
Net assets		<u>235,433</u>	<u>279,277</u>
Capital and reserves			
Share capital	12	38,659	38,659
Reserves		196,774	240,618
Equity attributable to equity holders of the Company and total equity		<u>235,433</u>	<u>279,277</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(54,604)	(40,874)
Net cash used in investing activities	(8,243)	(7,383)
Net cash generated from financing activities	29,881	92,920
Net (decrease) / increase in cash and cash equivalents	(32,966)	44,663
Effect of foreign exchange rate changes, net	121	31
Cash and cash equivalents at beginning of period	69,402	12,039
Cash and cash equivalents at end of period	36,557	56,733
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	36,557	56,733

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2008

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Option reserve HK\$'000	Convertible loans reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008	38,659	526,753	88,643	–	75,501	1,299	11,041	(462,619)	279,277	–	279,277
Translation difference and net income recognised directly in equity	–	–	–	–	–	–	8,546	–	8,546	–	8,546
Loss for the period	–	–	–	–	–	–	–	(53,536)	(53,536)	–	(53,536)
Total recognised income and expenses for the period	–	–	–	–	–	–	8,546	(53,536)	(44,990)	–	(44,990)
Recognition of share based payments	–	–	–	–	1,146	–	–	–	1,146	–	1,146
At 30 June 2008	38,659	526,753	88,643	–	76,647	1,299	19,587	(516,155)	235,433	–	235,433

For six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Option reserve HK\$'000	Convertible loans reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	30,383	366,164	88,643	–	17,360	–	1,636	(290,168)	214,018	–	214,018
Translation difference and net income recognised directly in equity	–	–	–	–	–	–	564	–	564	–	564
Loss for the period	–	–	–	–	–	–	–	(62,927)	(62,927)	–	(62,927)
Total recognised income and expenses for the period	–	–	–	–	–	–	564	(62,927)	(62,363)	–	(62,363)
Issue of unlisted warrants	–	–	–	5,661	–	–	–	–	5,661	–	5,661
Recognition of equity component of convertible loans	–	–	–	–	–	1,200	–	–	1,200	–	1,200
Issue of shares on conversion of convertible loans	1,750	19,492	–	–	–	(764)	–	–	20,478	–	20,478
Issue of shares on exercise of options	1,490	15,918	–	–	(5,000)	–	–	–	12,408	–	12,408
Issue of shares on exercise of warrants	2,000	43,780	–	(3,780)	–	–	–	–	42,000	–	42,000
Recognition of share based payments	–	–	–	–	36,795	–	–	–	36,795	–	36,795
	5,240	79,190	–	1,881	31,795	436	–	–	118,542	–	118,542
At 30 June 2007	35,623	445,354	88,643	1,881	49,155	436	2,200	(353,095)	270,197	–	270,197

NOTES:

(1) Basis of preparation

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

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

(2) Accounting policies

The accounting policies used in condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2007 with addition for the following amendments and interpretations which are relevant to the Group’s operation and are adopted for the first time by the Group for the Period:

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

These amendments and interpretations had no material effect on the Group’s accounting policies.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective:

HKAS 1 (Revised)	–	Presentation of Financial Statements ¹
HKAS 1 and HKAS 32 (Amendment)	–	Puttable Financial Instruments and Obligations arising on Liquidation ¹
HKAS 23 (Revised)	–	Borrowing Costs ¹
HKAS 27 (Revised)	–	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	–	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	–	Business Combinations – Comprehensive revision on applying the Acquisition Method ²
HKFRS 8	–	Operating Segments ¹
HK (IFRIC) – Int 13	–	Customer Loyalty Programmes ³

¹ Effective for financial period commencing on or after 1 January 2009

² Effective for financial period commencing on or after 1 July 2009

³ Effective for financial period commencing on or after 1 July 2008

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 the results of operations and financial position.

(3) Turnover and segment information

Segment information is presented in respect of the Group's business and geographical segments. The Group has determined that business segments be presented as the primary reporting format and geographical as the secondary format.

(a) Primary reporting format – business segments

The Group is organized into two main business segments:

Biopharmaceutical	–	Research, development and sale of biopharmaceutical products
Gaming	–	Development, provision, trading and management of electronic gaming system

	Unaudited							
	Six months ended 30 June							
	Biopharmaceutical		Gaming		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>67,576</u>	<u>47,457</u>	<u>24,439</u>	<u>6,918</u>	<u>391</u>	<u>–</u>	<u>92,406</u>	<u>54,375</u>
Segment results	<u>(6,527)</u>	<u>(6,005)</u>	<u>(23,519)</u>	<u>(7,710)</u>	<u>286</u>	<u>(109)</u>	<u>(29,760)</u>	<u>(13,824)</u>
Unallocated operating income							494	3,699
Unallocated corporate expenses							(18,506)	(51,394)
Loss from operations							(47,772)	(61,519)
Finance costs							(4,829)	(1,326)
Fair value (loss) / gain on derivative financial instruments							(935)	305
Loss before taxation							<u>(53,536)</u>	<u>(62,540)</u>

(b) Secondary reporting format – geographical segments

	Unaudited					
	Six months ended 30 June					
	Revenue		Total assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China ("PRC") and Hong Kong	<u>67,897</u>	<u>47,457</u>	<u>308,158</u>	<u>339,123</u>	<u>255</u>	<u>111</u>
Macau	<u>24,509</u>	<u>6,918</u>	<u>145,179</u>	<u>33,820</u>	<u>3,802</u>	<u>9,182</u>
	<u>92,406</u>	<u>54,375</u>	<u>453,337</u>	<u>372,943</u>	<u>4,057</u>	<u>9,293</u>

(4) Impairment loss for doubtful debts

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Impairment loss for amount due from an associate	177	266

(5) Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Staff cost		
– Director's remuneration (<i>note 17</i>)	4,695	8,692
– Other staff		
– Salaries and allowance	15,468	6,749
– Employee share option benefits (equity-settled) (<i>note 18</i>)	614	3,700
– Retirement benefit scheme contributions	280	108
	16,362	10,557
Consultancy fee		
– Share options benefits (equity-settled)	–	28,023
– Others	2,658	1,749
	2,658	29,772
Depreciation	14,871	6,524
Loss on disposal of property, plant and equipment	274	–
Operating lease rentals paid in respect of rented premises (<i>Note</i>)	2,794	1,775

Note: The amount includes the accommodation benefits provided to a director amounting to HK\$582,000 (2007: HK\$582,000)

(6) Income tax expense

Unaudited	
Six months ended 30 June	
2008	2007
HK\$'000	HK\$'000

The charge represents:

Profits tax outside Hong Kong		
– Current	–	234
– Under provision in previous year	–	153
	<u> </u>	<u> </u>
	–	387
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax or PRC Enterprise Income Tax has been made in the financial statements since the Group has no assessable profit for the period.

There is no movement in provision for deferred tax during the six months ended 30 June 2008. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(7) Loss per share

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

Unaudited	
Six months ended 30 June	
2008	2007
HK\$'000	HK\$'000

Loss:

Loss for the purpose of basic loss per share:	(53,536)	(62,927)
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Number of shares:

	Unaudited	
	Six months ended 30 June	
	2008	2007
Weighted average number of shares for the purposes of basic loss per share:	3,865,897,919	3,122,231,622

As the effect of all potential ordinary shares are anti-dilutive for the periods ended 30 June 2008 and 2007, no diluted loss per share was presented in both period.

(8) Property, plant and equipment

During the period, additions to the property, plant and equipment amounted to HK\$4.1 million, of which including HK\$2.8 million of gaming facilities.

(9) Debtors and prepayments

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
The ageing analysis of trade debtors is as follows :		
Within 30 days	22,040	20,162
31 - 60 days	11,435	10,591
61 - 90 days	3,871	3,711
91 - 180 days	4,138	1,612
181 - 365 days	406	1,163
Over 365 days	296	212
	42,186	37,451
Other debtors and prepayments	21,432	9,493
	63,618	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 China.

(10) Creditors and accrued charges

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
The ageing analysis of trade creditors is as follows :		
Within 30 days	11,152	16,059
31 - 60 days	6,013	10,493
61 - 90 days	5,037	1,542
91 - 180 days	9,409	3,928
More than 180 days	247	855
	31,858	32,877
Value added tax payable	7,743	8,252
Other creditors and accrued charges	33,463	37,402
	73,064	78,531

(11) Obligation under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	279	279	249	242
In the second to fifth years, inclusive	395	535	379	506
	674	814	628	748
Less : Future finance charges	(46)	(66)	N/A	N/A
Present value of lease obligations	628	748	628	748
Less : Amount due for settlement within 12 months (shown under current liabilities)			(249)	(242)
Amount due for settlement after 12 months			379	506

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

(12) Share capital

	Number of Shares	Nominal Value HK\$'000
Share of HK\$0.01 each		
Authorised :		
At 1 January 2008 and 30 June 2008	10,000,000,000	100,000
Issued and fully paid :		
At 1 January 2008 and 30 June 2008	3,865,897,919	38,659

(13) Intangible assets

There is no substantial movement in intangible assets during the six months ended 30 June 2008. The increase in value of intangible assets represents exchange realignment on change of exchange rate.

(14) Payments for investments

There is no substantial movement in payments for investments during the six months ended 30 June 2008. The increase in value of payments for investments represents exchange realignment on change of exchange rate.

(15) Capital and other commitments

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of the beneficial rights to drugs under development	5,684	5,351
Acquisition of a subsidiary	5,928	5,000
Acquisition of property, plant and equipment	13,883	11,086
	<u>25,495</u>	<u>21,437</u>
Research and development expenditure contracted for but not provided in the financial statements	<u>16,397</u>	<u>14,368</u>

(16) 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 period:

	Unaudited					
	Six months ended 30 June					
	Directors		Associate		A related party	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy fee paid to (note a)	–	–	–	–	244	319
Salaries and allowances (note d)	–	–	–	–	600	450
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>600</u>	<u>450</u>
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from (note b & c)	–	–	9,175	8,998	–	–
	<u>–</u>	<u>–</u>	<u>9,175</u>	<u>8,998</u>	<u>–</u>	<u>–</u>
Amounts due to (note b)	698	1,411	–	–	–	60
	<u>698</u>	<u>1,411</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>60</u>

Notes:

- (a) The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
- (b) The amounts are unsecured, interest free and have no fixed terms of repayment. No guarantees have been given or received.
- (c) Impairment of HK\$177,000 (2007: HK\$266,000) has been made for the loan made to an associate for the period. The amount due from an associate was fully impaired.
- (d) The related party is the spouse of a director, Mr. Jay Chun.

(17) Directors' remuneration

The remuneration of directors during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK'000	HK'000
Directors' fee	180	180
Salaries and allowances		
– Directors	3,983	3,440
Employee share option benefits (equity-settled) (<i>note 18</i>)	532	5,072
	4,695	8,692

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

(18) Equity settled share-based payments

On 5 May 2008, 8,500,000 share options were granted by the Company to a director with estimated fair value of HK\$157,000. The Group recognised the total share option benefits in directors' remuneration of HK\$157,000 for the period ended 30 June 2008.

In the opinion of directors of the Company, as the future economic benefits in relation to the services to be provided by the director is uncertain, the whole amount of HK\$157,000 was credited to option reserve and charged to the unaudited income statements for the six months ended 30 June 2008.

During the period ended 30 June 2008, fair value of HK\$489,000, HK\$375,000 and HK\$125,000 of share options granted by the Company to certain employees and a director on 8 May 2007, 6 August 2007 and 8 November 2007 respectively are recognised and charged to the unaudited income statements on a straight line basis over their vesting period based on the Group's estimate of service that will eventually received.

(18) Equity settled share-based payments (Cont'd)

The fair value of options granted to a director during the period were determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

	Share option grant date 5 May 2008
Closing price of shares at the date of grant	HK\$0.098
Exercise price of share option	HK\$0.190
Expected volatility based on historical volatility of share prices	96.94%
Expected annual dividend yield, based on historical dividend	—
Expected life of options	1 years
Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	1.20%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 250 days. 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 behavioral considerations.

During the six months ended 30 June 2008, total consideration received for the acceptance of the options granted amounted to HK\$1 (2007: HK\$32)

(19) Convertible Loans

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 ("CN"). The holders of CN 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 CN and 31 December 2009. If CN are not converted before 31 December 2009, they will be redeemed at par on 31 December 2009. CN 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 CN are provided in the Company's announcement dated 23 October 2007.

(19) Convertible Loans (Cont'd)

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

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Liability component		
At the beginning of the period / date of issue	72,174	70,901
Interest charged	3,372	1,273
Interest paid	(2,365)	—
At end of period / year	73,181	72,174
Equity component		
At the beginning and end of period / date of issue and end of year	1,299	1,299

The interest charged for the period/year for CN is calculated by applying effective interest rates of 9.30% to the liability component since the loan was issued.

The directors estimate the carrying value of the liability component at 30 June 2008 approximates its fair value.

(20) Borrowings

The terms of repayment of the borrowings are analysed as follows:

	Unaudited 30 June 2008 HK\$'000
Borrowings	30,375
Borrowings are repayable as follows:	
Within one year	6,988
In the second year	9,101
In the third to fifth years, inclusive	14,286
	30,375
Less: Amount due for settlement within 12 months (shown under current liabilities)	(6,988)
Amount due for settlement after 12 months	23,387

The borrowings from an independent third party is unsecured, carries interest at 15% per annum and repayable in 41 installments on or before the second business day in each month until their settlement.

The directors consider that the carrying amount of the borrowings approximates their fair value.

(21) Derivative Financial Instruments

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
Derivative components of redeemable voting preference shares (<i>note 22</i>)	8,512	5,364
Unlisted warrants (<i>note 23</i>)	<u>—</u>	<u>2,213</u>
	<u>8,512</u>	<u>7,577</u>

(22) Redeemable voting preference shares

During the year ended 31 December 2006, LT Game Limited (“LT Game”), a subsidiary of the Company, issued 900 redeemable voting preference shares at 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 entitle the holder thereof the right to redeem 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 “Conversion Date”) if net profit before tax of LT Game less than HK\$32 million was reported for the financial year ended 31 December 2007.

The fair value of the derivative component was estimated at the issuance date 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.

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
Derivative component		
At the beginning of the period / year	5,364	2,947
Fair value loss recognised during the period / year	<u>3,148</u>	<u>2,417</u>
At end of period / year	<u>8,512</u>	<u>5,364</u>
Liability component		
At the beginning of the period / year	13,978	12,075
Interest charged for the period / year	<u>1,061</u>	<u>1,903</u>
At end of period / year	<u>15,039</u>	<u>13,978</u>

(23) Unlisted warrants

On 20 March 2007, the Company entered into a placing agreement and appointed Get Nice Investment Limited as the placing agent for the issue of 300,000,000 warrants at a placing price of HK\$0.02 per warrant. Holder of the warrants are entitled to subscribe in cash for shares in the Company at an initial subscription price of HK\$0.21 per share. The subscription rights attaching to the warrants might be exercised within the period from 3 April 2007 to 2 April 2008 (both dates inclusive). The net proceeds raised on the issue of warrants was approximately HK\$5.7 million. During the year ended 31 December 2007, 200,000,000 warrants were exercised and 200,000,000 shares were issued accordingly.

During the period, no warrants were exercised by the holders. On 2 April 2008, 100,000,000 warrants become expired. On expiry, the balance of derivative financial instruments in the sum of approximately HK\$2,213,000 was derecognised and credited to the unaudited income statements.

(24) Post balance sheet date events

- a) Subsequent to the balance sheet date, LT (Macau) Limited (“LT Macau”), a wholly owned subsidiary of the Company, entered into a conditional agreement with Sociedade De Jogos De Macau, S.A. (“SJM”), whereby SJM agreed to install the gaming facilities consisting of table games (comprising traditional and electronic table games) and electronic slot machines at the 1st Floor to the 5th Floor (inclusive) of Casino Kam Pek in Macau and LT Macau agreed to undertake the related sale and promotional activities and to pay or otherwise reimburse the operating expenses that are actually paid or incurred by SJM during the agreement period. The agreement shall come into full force and effective upon the approval of Gaming Inspection and Coordination Bureau of Macau. Details of the above are set out in the Company’s announcement dated 1 August 2008.
- b) With effect from 7th August 2008, Mr. Law Wing Kit, Stephen resigned as an executive director of the Company. Details of the above are set out in the Company’s announcement dated 8 August 2008.
- c) Subsequent to the balance sheet date, the placing agreement dated 10 March 2008 entered between the Company and Global Markets Inc Limited in respect of the placement of 115,976,938 warrants was cancelled.

(25) Comparative figures

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECTS

Turnover and Profit

The turnover of the Group for the six months ended 30 June 2008 increased from HK\$54.4 million to HK\$92.0 million, representing a period-to-period increase of approximately 69%. The Group reported a loss of HK\$53.5 million or 1.38 Hong Kong cents per share for the period compared to loss of HK\$63 million or 2.02 Hong Kong cents per share for previous corresponding period.

The loss has been mainly attributed to increase in costs of sales, administrative expenses. Due to intense competition in China pharmaceutical market, gross margin inevitably narrowed. Nevertheless, the Group continued to expand its biopharmaceutical sales during the period.

Gaming Business

The Company has seen significant growth in its gaming business in Macau during the first half of 2008. Through its profit sharing license partners Sociedade De Jogos De Macau, S.A. (“SJM”) and Galaxy Casino S.A. (“Galaxy”), the Company has seen enormous market share penetration in its competing product categories.

Since 2007, we 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. We have seen large scale success with this initiative through the launch of our multiple betting platform on our LIVE Baccarat electronic terminals which allows players the options to play up to four baccarat games at the same time. 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 LIVE Baccarat, Paradise Box and Paradise Jackpot. On this initiative, we have seen enormous success as we renegotiated a majority of our profit sharing electronic terminals with more lucrative profit sharing terms with our license partners. Finally, we have heightened 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 gaming products.

As part of this strategic 3-point initiative to guide operations and drive long-term sustainable growth, the Company has significantly increased the number of profit sharing electronic terminals and felt tables during the last 12 months. The total number of electronic terminals and slot machines operating under profit sharing terms has increased to over 800 terminals while the number of profit sharing felt tables has increased to over 100 tables.

In March 2008, LT (Macau) Limited launched 80 LIVE Baccarat in the Waldo Casino covering a casino floor area of over 4,000 square feet. In addition, the Paradise Jackpot Baccarat Table Game Systems were installed on 18 mass market baccarat tables in Waldo Casino. In August 2008, LT Game Limited announced that the Paradise Jackpot Baccarat Table Game Systems were installed on Jai Alai Casino's 71 mass market baccarat tables. The launches marked the largest deployment of progressive jackpot system in the history of Macau.

In December 2007, the Company and SJM together opened "Kam Pek Paradise Casino" on the third floor of San Kin Yip Commercial Center. With the business model proving to be tremendously successful, the casino has been expanded to occupy five floors in San Kin Yip Commercial Center and cooperation tightened between the Company and SJM. Located at Macau's entertainment hub, adjacent to the Lisboa Hotel & Casino and opposite to the Wynn Macau Resort, Kam Pek Paradise Casino, commenced three fifths of full operation in August 2008 with a gaming floor area of over 170,000 sq. ft. It features over 40 traditional baccarat, sicbo, blackjack and roulette tables and over 600 electronic terminals and slot machines, including Paradise Jackpot, the world's first progressive jackpot baccarat table game.

By the end of calendar 2008, Paradise Entertainment will have profit sharing terminals and table games – including LIVE Baccarat, Paradise Box and Paradise Jackpot – totaling more than 1,000 electronic game terminals and 170 tables respectively, in numerous casinos in Macau.

With the full opening of the Kam Pek Paradise Casino, the Group has repositioned itself as a full-scale games provider and profit sharing operator, enjoying significant contributions from its gaming business. Despite growing competition in the industry, the Group believes in the future growth of Macau's economy and in particular its tourism industry in the long run. With the majority of Macau's tourists coming from Mainland China, the continuous growth in China's economy is expected to benefit Macau's economy and provides a promising outlook and business environment for the Group. With the Group's experience and well-received brand name – Paradise Entertainment has managed to quickly establish a significant presence in Macau.

Biopharmaceutical Business

The Group's biopharmaceutical business is conducted under LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). For the six months ended 30 June 2008, the turnover of LifeTec Pharmaceutical for the period increased from HK\$47.5 million to HK\$67.6 million, representing a period-to-period rise of approximately 42.3%. Gross profit for the period decreased by approximately 8.4% as compared with that of the previous corresponding period. Gross profit reduced due to intense market competition.

Marketing, Sales and Distribution

Measures have been taken to strengthen the internal marketing and sales team and to improve the cooperation with reputable drug distributors. Sales have continued to increase during the first half of 2008 and are expected to continue this momentum during the second half of 2008.

Research and Development

Fibrocorin

Fibrocorin is a recombinant fusion protein and a potential new drug candidate for anti-cancer and anti-fibrosis applications. It was invented by the Company together 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 degradation rate. This novel recombinant protein has a more sustainable and profound treatment effect. Application for patent has been filed by the Company for Fibrocorin 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. rhALR's therapeutic value has been demonstrated in animal tests. The China patent for the specific production techniques for rhALR was granted in late 2005. The Group is conducting laboratory tests and preparing application documents for clinical trials in China. The rhALR is successfully expressed highly effective. It could play an important role in relieving acute hepatic injury and hepatic failure by promoting hepatic cell proliferation and improve liver function in CCl₄-intoxicated mice.

Generic Drugs

A number of generic drugs are undergoing application procedures for production permits issued by State Food and Drug Administration. These generic drugs can utilize our existing sales channels. It is expected that production permits will be granted in mid 2009. We will continue to enrich our pharmaceutical product mix and strengthen our distribution network in China.

Liquidity and Financial Resources

At the balance sheet date, the Group's borrowings and finance leases stood at HK\$30.4 million and HK\$0.63 million respectively, of which HK\$7.2 million was payable within 12 months, and HK\$23.8 million was payable between 2 and 5 years. Current liabilities of the Group increased from HK\$105 million to HK\$107.5 million, representing a rise of 2.4%. The Group's net current assets decreased from HK\$63.3 million to HK\$51.5 million at the balance sheet date. The Group's total liabilities at the balance sheet date were HK\$218 million. The percentage of total liabilities to total assets as at 30 June 2008 stood at 48.1% which is higher than the corresponding figure of 40.6% as at 31 December 2007.

As at 30 June 2008, the cash on hand is sufficient for financing ongoing activities of the Group.

The Group's operations are primarily based in Macau and China. Income derived and expenses incurred are denominated in Hong Kong dollars and Renminbi respectively. Export sales are immaterial for the period. On the other hand, the expenses of the headquarters and borrowings are denominated in Hong Kong dollars. Due to the relatively matched position in both Hong Kong, Macau and China and the stability of the exchange rates between Renminbi and Hong Kong dollars, the risk exposed to exchange rate by the Group is immaterial. Therefore the directors consider specific hedges for currency fluctuation being not necessary.

Charges on Group Assets

At the balance sheet date, the carrying amount of a motor vehicle held by the Group under finance lease amounted to HK\$628,000.

Organization and Staff

The Group has 387 staff in total as at the date of this announcement. Majority of the staff are marketing and promotion executives located in Macau. The Group is actively seeking talent in Macau in order to cope with the fast growing operations.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

(i) Shares

As at 30 June 2008, 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 pursuant to the Model Code for Securities Transactions by

Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	68,774,000	2,500,000	432,988,000	11.20%
	The Company	Interest of controlled corporation/ Corporate interest	361,714,000 ⁽²⁾	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	360,758,000 ⁽³⁾	–	360,758,000	9.33%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner/ Personal interest	6,722,000	2,900,000	9,622,000	0.25%
Mr. Law Wing Kit, Stephen	The Company	Beneficial owner/ Personal interest	–	30,000,000	30,000,000	0.78%
Mr. Park Aaron Changmin	The Company	Beneficial owner/ Personal interest	1,666,000	38,500,000	40,166,000	1.04%

Notes:

(1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

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

(2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.

(3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Mr. Sin Sai Yung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2008.

(ii) Share options

The following table discloses movements in the Company's share options during the six months ended 30 June 2008 under the Old Share Option Scheme and Existing Share Option Scheme:

Old Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			
				Outstanding at beginning of the period	Granted during the period	Exercised during the period	Outstanding at end of the period
Category: Directors							
Mr. Jay Chun	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	2,500,000	–	–	2,500,000
Dr. Ma Xianming, alias, Ma Yin Ming	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	1,000,000	–	–	1,000,000
Dr. Ma Xianming, alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	HK\$0.095	1,900,000	–	–	1,900,000
Mr. Law Wing Kit, Stephen	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	10,000,000 ⁽¹⁾	–	–	10,000,000
Mr. Park Aaron Changmin	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	10,000,000	–	–	10,000,000
Mr. Park Aaron Changmin	25.05.2007	25.11.2007 to 24.05.2012	HK\$0.290	20,000,000	–	–	20,000,000
Category: Employees	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	17,400,000	–	–	17,400,000
Category: Consultants	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	23,375,000	–	–	23,375,000
	01.11.2004	01.11.2004 to 31.10.2009	HK\$0.086	25,000,000	–	–	25,000,000
	31.07.2006	31.07.2006 to 30.07.2011	HK\$0.091	280,000,000	–	–	280,000,000
	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	243,000,000	–	–	243,000,000
Total				634,175,000	–	–	634,175,000

Existing Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			
				Outstanding at beginning of the period	Granted during the period	Exercised during the period	Outstanding at end of the period
Category: Directors							
Mr. Law Wing Kit, Stephen	06.08.2007	06.12.2007 to 05.08.2009	HK\$0.307	10,000,000 ⁽²⁾	—	—	10,000,000
Mr. Law Wing Kit, Stephen	06.08.2007	06.03.2008 to 05.08.2009	HK\$0.307	10,000,000 ⁽²⁾	—	—	10,000,000
Mr. Park Aaron Changmin	05.05.2008	05.05.2008 to 04.05.2009	HK\$0.190	—	8,500,000	—	8,500,000
Category: Employees	09.10.2007	09.10.2007 to 08.10.2012	HK\$0.180	36,000,000	—	—	36,000,000
	08.11.2007	08.11.2008 to 07.11.2012	HK\$0.212	2,000,000	—	—	2,000,000
Category: Consultants	06.08.2007	06.08.2007 to 05.08.2009	HK\$0.307	15,000,000	—	—	15,000,000
	09.10.2007	09.10.2007 to 08.10.2012	HK\$0.180	228,000,000	—	—	228,000,000
Total				301,000,000	8,500,000	—	309,500,000

Notes:

- (1) Following the resignation of Mr. Law Wing Kit Stephen as the executive director on 6 August 2008, the last day of exercise period of these options is revised to 6 November 2008, that is three months after 6 August 2008.
- (2) These options were lapsed immediately when Mr. Law Wing Kit Stephen ceased to be the executive director on 7 August 2008.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed under the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES” above, as at 30 June 2008, the Company had not been notified any other person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2008, save for the following deviations:

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

Code Provision A.4.1

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

Currently, none of the three independent non-executive directors is appointed for a specific term. However, all independent non-executive directors are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

Code Provision E.1.2

Under this code provision, the chairman of the board should attend the annual general meeting.

The annual general meeting held on 26 May 2008 was chaired by Mr. Park Aaron Changmin, one of the executive directors, instead of Mr. Jay Chun, the chairman of the board. Mr. Jay Chun did not attend the annual general meeting 2008 as he was engaged in other business of the Company.

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

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2008.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman

Hong Kong, 22 September 2008

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 Mr. Park Aaron Changmin and the independent non-executive directors of the Company are Mr. Frank Hu, Ms. Ma Shiwei and Mr. Li John Zongyang.

* *for identification purposes only*