



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 2009

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 2009 together with comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	140,351	92,015
Cost of sales and services		(105,927)	(77,118)
Gross profit		34,424	14,897
Other operating income		1,553	885
Marketing, selling and distribution expenses		(18,965)	(8,711)
Share-based payments		–	(1,146)
Research and development expenditure		(1,363)	(1,333)
Impairment loss for doubtful debts	4	(115)	(177)
Administrative expenses		(44,646)	(52,187)
Loss from operations	5	(29,112)	(47,772)
Finance costs		(9,857)	(4,829)
Gain on early redemption of convertible loans		1,302	–
Fair value loss on derivative financial instruments		–	(935)
Loss before tax		(37,667)	(53,536)
Income tax expense	7	–	–
Loss for the period		(37,667)	(53,536)
Attributable to:			
Owners of the Company		(37,662)	(53,536)
Minority interests		(5)	–
		(37,667)	(53,536)
Loss per share (HK Cents)	8		
– Basic		(0.96)	(1.38)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to shareholders	(37,667)	(53,536)
Other comprehensive income		
Currency translation differences	<u>2</u>	<u>8,546</u>
Total comprehensive income for the period	<u>(37,665)</u>	<u>(44,990)</u>
Attributable to:		
Owners of the Company	(37,659)	(44,990)
Minority interests	<u>(6)</u>	<u>—</u>
	<u>(37,665)</u>	<u>(44,990)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	9	144,155	159,658
Intangible assets	10	90,566	90,566
Interest in an associate		–	–
Deposits paid for acquisition of non-current assets		–	945
Payments for investments	11	64,725	64,741
Deposit paid for acquisition of a subsidiary		7,800	7,800
		<u>307,246</u>	<u>323,710</u>
Current assets			
Inventories		912	193
Debtors, deposits and prepayments	12	42,654	35,738
Advances to consulting companies		29,155	29,071
Bank and cash balances		49,611	43,954
		<u>122,332</u>	<u>108,956</u>
Less: Current liabilities			
Creditors and accrued charges	13	89,661	76,573
Amounts due to directors		1,015	1,550
Amount due to a related party		2,106	58
Other borrowings – due within one year	14	16,601	10,029
Obligation under finance leases – due within one year	15	265	257
Convertible loans – due within one year	16	–	73,933
Current tax liabilities		2,558	2,594
		<u>112,206</u>	<u>164,994</u>
Net current assets / (liabilities)		<u>10,126</u>	<u>(56,038)</u>
Total assets less current liabilities		<u>317,372</u>	<u>267,672</u>
Non-current liabilities			
Other borrowings – due after one year	14	34,279	39,006
Obligation under finance leases – due after one year	15	115	249
Convertible loans – due after one year	16	65,036	12,504
Deferred tax liabilities		16,763	16,763
		<u>116,193</u>	<u>68,522</u>
Net assets		<u>201,179</u>	<u>199,150</u>
Capital and reserves			
Share capital	17	48,971	38,659
Reserves		152,159	160,491
Equity attributable to owners of the Company		201,130	199,150
Minority interests		49	–
Total equity		<u>201,179</u>	<u>199,150</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(12,619)	(54,604)
Net cash used in investing activities	(2,238)	(8,243)
Net cash generated from financing activities	20,515	29,881
Net increase/(decrease) in cash and cash equivalents	5,658	(32,966)
Effect of foreign exchange rate changes, net	(1)	121
Cash and cash equivalents at beginning of period	43,954	69,402
Cash and cash equivalents at end of period	49,611	36,557
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	49,611	36,557

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2009

	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	38,659	526,753	88,643	72,537	4,044	19,642	(551,128)	199,150	–	199,150
Translation difference recognised directly in equity	–	–	–	–	–	3	–	3	(1)	2
Loss for the period and total recognised income and expenses for the period	–	–	–	–	–	–	(37,662)	(37,662)	(5)	(37,667)
Total comprehensive income for the period	–	–	–	–	–	3	(37,662)	(37,659)	(6)	(37,665)
Capital injection from minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	55	55
Recognition of equity component of convertible loans	–	–	–	–	16,335	–	–	16,335	–	16,335
Cancellation of share options	–	–	–	(4,684)	–	–	4,684	–	–	–
Issue of shares on conversion of convertible loans	10,312	22,161	–	–	(5,622)	–	–	26,851	–	26,851
Redemption of convertible loans	–	–	–	–	(1,299)	–	(2,248)	(3,547)	–	(3,547)
At 30 June 2009	48,971	548,914	88,643	67,853	13,458	19,645	(586,354)	201,130	49	201,179

For six months ended 30 June 2008

	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 recognised directly in equity	–	–	–	–	–	8,546	–	8,546	–	8,546
Loss for the period and total recognised income and expenses for the period	–	–	–	–	–	–	(53,536)	(53,536)	–	(53,536)
Total comprehensive income 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

NOTES:

(1) Basis of preparation

The 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 2008 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 accounting period beginning 1 January 2009:

HKAS 1 (Revised)	–	Presentation of Financial Statements
HKAS 23 (Revised)	–	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	–	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 1 and HKAS 32 (Amendments)	–	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	–	Reassessment of Embedded Derivatives
HKFRS 2 (Amendment)	–	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7	–	Financial Instruments: Disclosures
HKFRS 8	–	Operating Segments
HK(IFRIC)-INT 13	–	Customer Loyalty Programmes
HK(IFRIC)-INT 15	–	Agreements for the Construction of Real Estate
HK(IFRIC)-INT 16	–	Hedges of a Net Investment in a Foreign Operation
Improvements to HKFRSs		
Improvements to HKFRSs 2009		

HKAS 1 (Revised) Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determined primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3, including revised comparative information.

The adoption of the new and revised standards, amendments or interpretations had no material effect on how the result and financial position of the Group for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

Improvements to HKFRSs¹

Improvements to HKFRSs 2009²

HKAS 27 (Revised)	– Consolidated and Separate Financial Statements ³
HKAS 39 (Amendment)	– Eligible Hedged Items ³
HKFRS 1 (Revised)	– First time adoption of HKFRSs ³
HKFRS 2 (Amendment)	– Share-based Payment
	– Group Cash settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	– Business Combinations ³
HK(IFRIC)-INT 9 and HKAS 39 (Amendments)	– Embedded Derivatives ⁵
HK(IFRIC)-INT 17	– Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-INT 18	– Transfer of Assets from customers ⁶

¹ Amendment to HKFRS 5, effective for financial period commencing on or after 1 July 2009

² Effective for financial period commencing on or after 1 July 2009 and 1 January 2010 as appropriate

³ Effective for financial period commencing on or after 1 July 2009

⁴ Effective for financial period commencing on or after 1 January 2010

⁵ Effective for financial period commencing on or after 30 June 2009

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

(3) Turnover and segment information

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

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

No operating segments have been aggregated to form the above reportable operating segments.

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

	Unaudited							
	Six months ended 30 June							
	Gaming		Biopharmaceutical		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
Third party	87,503	24,439	52,848	67,576	–	–	140,351	92,015
Inter-segment	11,055	4,749	–	–	(11,055)	(4,749)	–	–
	<u>98,558</u>	<u>29,188</u>	<u>52,848</u>	<u>67,576</u>	<u>(11,055)</u>	<u>(4,749)</u>	<u>140,351</u>	<u>92,015</u>
Segment results	<u>(12,046)</u>	<u>(23,435)</u>	<u>(5,545)</u>	<u>(5,928)</u>	<u>8,800</u>	<u>(1,632)</u>	<u>(8,791)</u>	<u>(30,995)</u>
Unallocated operating income							45	1,657
Unallocated corporate expenses							(20,366)	(18,434)
Loss from operations							(29,112)	(47,772)
Finance costs							(9,857)	(4,829)
Fair value loss on derivative financial instruments							–	(935)
Fair value gain on redemption of convertible loans							1,302	–
Loss before taxation							<u>(37,667)</u>	<u>(53,536)</u>

	Unaudited							
	Six months ended 30 June							
	Gaming		Biopharmaceutical		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure								
Segment capital expenditure	<u>3,181</u>	<u>3,927</u>	<u>3</u>	<u>24</u>	<u>–</u>	<u>–</u>	<u>3,184</u>	<u>3,951</u>
Unallocated capital expenditure							1	106
Consolidated capital expenditure							<u>3,185</u>	<u>4,057</u>
Depreciation								
Segment capital expenditure	<u>12,307</u>	<u>11,179</u>	<u>3,526</u>	<u>3,411</u>	<u>–</u>	<u>–</u>	<u>15,833</u>	<u>14,590</u>
Unallocated capital expenditure							244	281
Consolidated capital expenditure							<u>16,077</u>	<u>14,871</u>

(4) Impairment loss for doubtful debts

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Impairment loss for amount due from an associate	115	177

(5) Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Staff costs		
– Director's remunerations (<i>note 6</i>)	3,343	4,695
– Other staffs		
– Salaries and allowances	12,751	15,468
– Employee share option benefits (equity-settled)	–	614
– Retirement benefit scheme contributions	311	280
	13,062	16,362
Consultancy fee	1,338	2,658
Depreciation	16,077	14,871
Loss on disposal of property, plant and equipment	2,606	274
Operating lease rentals paid in respect of rented premises (<i>Note</i>)	2,927	2,794

Note: The amount includes the accommodation benefits provided to a director amounting to HK\$720,000 (2008: HK\$582,000)

(6) Directors' remunerations

The remunerations of directors during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Directors' fee	180	180
Salaries and allowances		
– Directors	2,443	3,401
Accommodation benefits	720	582
Employee share option benefits (equity-settled)	–	532
	<u>3,343</u>	<u>4,695</u>

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

(7) Income tax expense

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 2009. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(8) 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	
	2009	2008
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of basic loss per share:	<u>(37,662)</u>	<u>(53,536)</u>
Number of shares:		
	Unaudited	
	Six months ended 30 June	
	2009	2008
Weighted average number of shares for the purposes of basic loss per share:	<u>3,930,297,090</u>	<u>3,865,897,919</u>

As the effect of all potential ordinary shares are anti-dilutive for the periods ended 30 June 2009 and 2008, no diluted loss per share was presented in both period.

(9) Property, plant and equipment

During the period, additions to the property, plant and equipment amounted to HK\$3.1 million, of which including HK\$2.5 million of gaming facilities and HK\$0.5 million of leasehold improvements.

(10) Intangible assets

There is no substantial movement in intangible assets during the six months ended 30 June 2009.

(11) Payments for investments

There is no substantial movement in payments for investments during the six months ended 30 June 2009. The decrease in value of payments for investments represents exchange realignment on change of exchange rate.

(12) Debtors, deposits and prepayments

	Unaudited	Audited
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	8,792	7,642
31 – 60 days	6,641	4,160
61 – 90 days	5,332	1,486
91 – 180 days	921	5,004
181 – 365 days	2,374	1,219
Over 365 days	–	–
	24,060	19,511
Other debtors, deposits and prepayments	18,594	16,227
	42,654	35,738

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.

(13) Creditors and accrued charges

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	1,861	12,476
31 – 60 days	5,353	5,332
61 – 90 days	2,758	7,684
91 – 180 days	5,661	12,901
More than 180 days	19,029	202
	34,662	38,595
Value added tax payable	8,327	8,055
Other creditors and accrued charges	46,672	29,923
	89,661	76,573

(14) Other borrowings

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

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Unsecured borrowings	50,880	49,035
Other borrowings are repayable as follows:		
Within one year	16,601	10,029
In the second year	28,882	29,805
In the third to fifth years, inclusive	5,397	9,201
	50,880	49,035
Less: Amount due for settlement within 12 months (shown under current liabilities)	(16,601)	(10,029)
Amount due for settlement after 12 months	34,279	39,006

Other borrowings are denominated in Hong Kong dollars and are loans from independent third parties. The loans are unsecured, carry interest rates ranging from 0% to 18% per annum.

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

(15) Obligation under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Within one year	279	279	265	257
In the second to fifth years, inclusive	116	256	115	249
	395	535	380	506
Less: Future finance charges	(16)	(29)	N/A	N/A
Present value of lease obligation:				
Less: Amount due for settlement within 12 months (shown under current liabilities)	379	506	380	506
Amount due for settlement after 12 months			(265)	(257)
			115	249

The obligation under finance leases is denominated in Hong Kong dollars.

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

(16) Convertible Loans

Pursuant to a subscription agreement dated 25 November 2008, the Company issued convertible notes with principal value of HK\$96,000,000 on 20 February 2009 ("CN1"). The holders of CN1 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\$0.032 each and at any time between the date of issue of CN1 and 31 December 2013. If CN1 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN1 bears interests of 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. Details of CN1 are provided in the Company's announcement dated 25 November 2008.

Pursuant to a redemption agreement on 28 November 2008, convertible loans with principal value of HK\$76,000,000 ("CN2") has been fully redeemed by the Company upon the subscription and issuance of CN1. The redemption payment of CN2 has been set off with the subscription proceeds of CN1. Details of the above are set out in the Company's announcement dated 5 January 2009.

The subscription and redemption were approved by the Company's shareholders at a special general meeting held on 13 February 2009. The subscription and issuance of CN1 and the early redemption of CN2 were completed on 20 February 2009.

The net proceeds received from the issue of CN1 and convertible notes with principal value of HK\$16,000,000 issued on 22 December 2008 (“CN3”), the redemption payment of CN2 have been split between the liability components and equity components, as follows:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Liability component		
At the beginning of the period/date of issue	86,437	72,174
Liability component at date of issue	78,665	12,455
Interest charged	6,035	6,834
Interest paid	(5,495)	(5,026)
Redemption during the period	(73,755)	—
Converted into ordinary shares of the Company	(26,851)	—
	<u>65,036</u>	<u>86,437</u>
At end of period/year	<u>65,036</u>	<u>86,437</u>
Equity component		
At the beginning of period/year	4,044	1,299
Equity component at date of issue	16,335	2,745
Redemption during the period	(1,299)	—
Converted into ordinary shares of the Company	(5,622)	—
	<u>13,458</u>	<u>4,044</u>
At end of period/year	<u>13,458</u>	<u>4,044</u>

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

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Within one year	—	73,933
In the second to fifth years, inclusive	65,036	12,504
	<u>65,036</u>	<u>86,437</u>

The interest charged for the period/year for CN1 and CN3 is calculated by applying effective interest rates of 13% and 14.01% to the liability component since the loans were issued.

The directors estimate the carrying value of the liability component approximates its fair value as at 30 June 2009.

(17) Share capital

	Number of shares	Nominal value HK\$'000
Share of HK\$0.01 each		
Authorised:		
At 1 January 2009 and 30 June 2009	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	<u>4,897,147,919</u>	<u>48,971</u>

(18) Capital and other commitments

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 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	5,678	5,679
Acquisition of a subsidiary	5,000	5,000
Acquisition of property, plant and equipment	1,642	5,149
Establishment of jointly controlled entities	<u>—</u>	<u>971</u>
	<u>12,320</u>	<u>16,799</u>

(19) 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	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy fee paid to (notes a & b)	–	–	–	–	67	244
Salaries and allowances (notes b & e)	–	–	–	–	600	600
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>667</u>	<u>844</u>
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from (notes c & d)	–	–	9,300	9,185	–	–
	<u>–</u>	<u>–</u>	<u>9,300</u>	<u>9,185</u>	<u>–</u>	<u>–</u>
Amounts due to (notes c & e)	1,015	1,550	–	–	2,106	58
	<u>1,015</u>	<u>1,550</u>	<u>–</u>	<u>–</u>	<u>2,106</u>	<u>58</u>

Notes:

- (a) The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
- (b) The transactions were charged at predetermined amounts agreed between the parties involved.
- (c) The amounts are unsecured, interest free and have no fixed terms of repayment.
- (d) HK\$115,000 (30 June 2008: HK\$177,000) impairment has been made for the period for the loan made to an associate. The amount due from an associate was fully impaired.
- (e) The related party is the spouse of a director, Mr. Jay Chun.
- (f) The Group's obligation under finance leases as set out in note 15 is secured by the personal guarantee executed by a director, Mr. Jay Chun.

(20) Post balance sheet date events

- a) Subsequent to the balance sheet date, the Company entered into a termination agreement with Gain Time Management Limited (the “Subscriber”) on 10 July 2009, whereby the Company and the Subscriber have mutually agreed to terminate their respective obligations under the subscription agreement dated 4 June 2009 for the new convertible debentures in an aggregate principal amount of HK\$13,600,000.

Following the termination of the subscription agreement, the Company and the Subscriber entered into a loan agreement on 10 July 2009 (the “Loan Agreement”) whereby the Subscriber has agreed to advance to the Company an unsecured loan in the sum of HK\$10,000,000, which shall bear interest of 12% per annum and shall be repayable within one year from the date of the Loan Agreement. Details of the above are set out in the Company’s announcement dated 10 July 2009.

- b) Subsequent to the balance sheet date, the Board proposes the capital reorganisation which comprises (i) the share consolidation of every 10 shares of HK\$0.01 each into 1 consolidated share of HK\$0.10 and (ii) the increase of the authorised share capital of the Company.

The authorised share capital of the Company was HK\$100,000,000 comprising 10,000,000,000 shares, of which 4,897,147,919 shares have been allotted and issued as fully paid or credited as fully paid. Upon the capital reorganisation becoming effective, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares and 489,714,791 consolidated shares have been in issue.

Upon the share consolidation becoming effective, each board lot size of the existing shares for trading on the Stock Exchange will be changed from 2,000 shares to 20,000 consolidated shares. Details of the above are set out in the Company’s announcement dated 26 August 2009.

- c) Subsequent to the balance sheet date, the Company and each of Kelton Capital and Right Choice, who and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons, respectively entered into the supplemental instruments dated 21 August 2009 to vary and amend certain terms and conditions of the existing convertible debentures by inserting a new condition such that adjustments shall be made to the conversion price of the existing convertible debentures in certain events such as the share consolidation, rights issues, capitalization issues and capital distributions. Save as amended by the supplemental instruments, the terms and conditions of the existing convertible debentures will remain in full force and effect. Details of the above are set out in the Company’s announcement dated 26 August 2009.
- d) On 21 August 2009, the Company entered into a subscription agreement with C Y Foundation Group Limited (“CY”). Pursuant to the subscription agreement, CY agreed to subscribe for convertible notes in an aggregate principal amount of HK\$20,000,000 with an option to subscribe for the additional notes in an aggregate principal amount of HK\$20,000,000. The noteholder 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\$0.04 each on any business day commencing from the expiry of 6 months after the date of issue of the new convertible notes to (and including) the maturity date. The new convertible notes and the additional notes bear interest of 6% per annum payable at the end of each 3-month period commencing on the date of the issue of the new convertible notes until their settlement date. Details of the above are set out in the Company’s announcement dated 26 August 2009.

(21) 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 2009 (2008: Nil).

BUSINESS REVIEW AND PROSPECTS

Turnover and Profit

The turnover of the Group for the six months ended 30 June 2009 increased from HK\$92.0 million to HK\$140.4 million, representing a period-to-period increase of approximately 53%. The Group reported a loss of HK\$37.7 million or 0.96 Hong Kong cents per share for the period compared to loss of HK\$53.5 million or 1.38 Hong Kong cents per share for previous corresponding period, representing a decrease of approximately 30%.

Gaming Business

The first half of 2009 was a period of progress for our gaming business. With the expansion of our Casino Kam Pek Paradise, the easing up of credit crunch and the improvement of market sentiment, we saw a significant growth in gaming revenue and improvement in operating margins for both the mass market table gaming operation and electronic terminals operation.

For the six months ended 30 June 2009, the turnover of the gaming business was approximately HK\$87.5 million compared to the last corresponding period of approximately HK\$24.4 million representing an increase of 258.0%. Loss of the gaming business for the reporting period was approximately HK\$12.0 million compared to a loss of approximately HK\$23.4 million in the last corresponding period.

Biopharmaceutical Business

The medical reform in China has brought intense competition to the biopharmaceutical industry. In view of this, the Group has taken measures to expand its market. As a measure to improve sales performance, our sales department reviews the performance of each distributor continuously. Once a distributor is identified to perform weak, a new distributor will be invited to resume its place. At the same time, our sales department is also in the process of widening the spectrum of drug products. The Group strives to maintain stable growth of revenue.

The Group's biopharmaceutical business is conducted under LifeTec Pharmaceutical Limited. For the six months ended 30 June 2009, the turnover of biopharmaceutical business decreased from HK\$67.6 million to HK\$52.8 million, representing a period-to-period decrease of approximately 21.9%. Turnover decreased because of intense market competition. Loss of biopharmaceutical business decreased from HK\$5.9 million to HK\$5.5 million as a result of effective cost control measures.

Prospects

The Group remains optimistic about the future of Macau's gaming industry. Macau is the only Chinese city that permits casino gaming. The Group believes Macau will maintain its position as one of the leading leisure and gaming destination. With the improving market sentiment and stimulus package implemented by the government of China in 2009, we cautiously believe the worst is over. We will continue monitoring closely the development of the gaming market and adjust our strategies accordingly.

The Group expects the gaming business will be a main driver of the growth of future revenue while the biopharmaceutical business will continue to contribute stable revenue.

Liquidity and Financial Resources

At the balance sheet date, the Group's borrowing, liability component of convertible loans and finance leases stood at HK\$50,880,000, HK\$65,036,000 and HK\$380,000 respectively, of which HK\$16,601,000, nil and HK\$265,000 respectively were payable within 12 months. Current liabilities of the Group decreased from HK\$164,994,000 to HK\$112,206,000, representing a decrease of approximately 32%. The Group's total liabilities decreased from HK\$233,516,000 to HK\$228,399,000, representing a decrease of approximately 2.2%. The Group's total assets decreased from HK\$432,666,000 to HK\$429,578,000. The percentage of total liabilities to total assets as at 30 June 2009 stood at 53.2% which is roughly the same as the corresponding figure of 54.0% as at 31 December 2008.

As at 30 June 2009, 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. 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, Macau Patacas 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 approximately HK\$478,000 (2008: HK\$608,000).

Organization and Staff

The Group has 277 staff in total as at the balance sheet date. 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 2009, 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"), 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	12,416,000	–	430,488,000	8.79%
	The Company	Interest of controlled corporation/ Corporate interest	418,072,000 ⁽²⁾	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	360,758,000 ⁽³⁾	–	360,758,000	7.37%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner/ Personal interest	6,722,000	1,900,000	8,622,000	0.18%

Notes:

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

The interests of the Directors in the underlying shares pursuant to equity derivatives represent share options granted to them pursuant to the share option scheme adopted by the Company on 15 July 2002 which was terminated on 14 July 2007 (the “Old Share Option Scheme”) and the share option scheme adopted by the Company on 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, 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 2009.

(ii) Share options

The following table discloses movements in the Company’s share options during the six months ended 30 June 2009 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	Outstanding at beginning of the period	Number of share options		Outstanding at end of the period
					Granted during the period	Lapsed during the period	
Category: Directors							
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
Park Aaron Changmin	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	10,000,000	—	10,000,000 ⁽¹⁾	—
Park Aaron Changmin	25.05.2007	25.11.2007 to 24.05.2012	HK\$0.290	20,000,000	—	20,000,000 ⁽¹⁾	—
Category: Employees	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	16,400,000	—	3,000,000	13,400,000
Category: Consultants	01.11.2004	01.11.2004 to 31.10.2009	HK\$0.086	25,000,000	—	—	25,000,000

	Date of share options granted	Exercisable period	Exercise price per share	Outstanding at beginning of the period	Number of share options		Outstanding at end of the period
					Granted during the period	Lapsed during the period	
Category: Directors							
	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				<u>596,300,000</u>	<u>–</u>	<u>33,000,000</u>	<u>563,300,000</u>

Existing Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Outstanding at beginning of the period	Number of share options		Outstanding at end of the period
					Granted during the period	Lapsed during the period	
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 ⁽²⁾
	09.10.2007	09.10.2007 to 08.10.2012	HK\$0.180	228,000,000	–	–	228,000,000
Total				<u>281,000,000</u>	<u>–</u>	<u>–</u>	<u>281,000,000</u>

Note:

- (1) Following the resignation of Mr. Park Aaron Changmin as our executive director on 1 December 2008, these options were lapsed on 28 February 2009, three months after 1 December 2008.
- (2) These options were lapsed on 5 August 2009.

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 2009, the Company had not been notified of 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 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30 June 2009.

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 2009, 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, only one of the three independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, whether they are appointed for a specific term or not, are subject to retirement by rotation and re-election at least every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

Code Provision E.1.2

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

The annual general meeting held on 5 June 2009 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder, instead of Mr. Jay Chun. Mr. Jay Chun did not attend the annual general meeting 2009 as he was engaged in other commitments of the Company.

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

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2009.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman

Hong Kong, 22 September 2009

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.

* *for identification purposes only*