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 2011

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 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
TURNOVER	*3*	**545,646**	374,000
Cost of sales and services		**(254,299)**	(231,569)
Gross profit		**291,347**	142,431
Other income		**7,849**	5,757
Marketing, selling and distribution costs		**(84,525)**	(68,020)
Administrative expenses		**(112,587)**	(94,596)
Impairment loss for doubtful debts		**(199)**	(107)
Share-based payments		**(3,787)**	–
Finance costs	*4*	**(19,141)**	(30,690)
Amortisation for intangible assets		**(12,137)**	(4,046)
Loss on early redemption of promissory note		**(27,484)**	(24,226)
Loss on derecognition of derivative financial instruments		**–**	(1,278)
Profit (loss) before tax		**39,336**	(74,775)
Income tax expenses	*5*	**–**	–
Profit (loss) for the year	*6*	**39,336**	(74,775)
Attributable to:			
Owners of the Company		**35,543**	(74,774)
Non-controlling interests		**3,793**	(1)
		39,336	(74,775)
Earnings (loss) per share (HK cents)	*8*		
– Basic		**1.33**	(7.61)
– Diluted		**1.24**	N/A

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Profit (loss) for the year	*6*	**39,336**	(74,775)
Other comprehensive income			
Net gain recognised directly in equity			
Exchange translation differences		**252**	2,624
Total comprehensive income for the year, net of tax		**39,588**	(72,151)
Total comprehensive income attributable to:			
Owners of the Company		**35,886**	(72,150)
Non-controlling interests		**3,702**	(1)
		39,588	(72,151)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**148,869**	158,706
Intangible assets	*9*	**165,883**	178,020
Interest in an associate		–	–
Deposit paid for acquisition of a subsidiary		–	7,800
		314,752	344,526
Current assets			
Inventories		**200**	151
Debtors, deposits and prepayments	*10*	**61,033**	44,782
Bank and cash balances		**126,186**	83,431
		187,419	128,364
Current liabilities			
Creditors and accrued charges	*11*	**74,443**	69,599
Amounts due to directors	*12*	**2,567**	2,141
Amount due to a related party	*12*	–	2,106
Other borrowings – due within one year		–	18,992
Obligations under finance leases – due within one year		**1,318**	4,781
Current tax liabilities		**2,467**	2,411
		80,795	100,030
Net current assets		**106,624**	28,334
Total assets less current liabilities		**421,376**	372,860

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Non-current liabilities			
Obligations under finance leases – due after one year		**412**	–
Convertible loans – due after one year	*13*	**86,165**	129,178
Promissory note	*14*	**68,336**	119,472
		154,913	248,650
Net assets		**266,463**	124,210
Capital and reserves			
Share capital		**284,144**	186,344
Reserves		**(21,432)**	(62,183)
Equity attributable to owners of the Company		**262,712**	124,161
Non-controlling interests		**3,751**	49
Total equity		**266,463**	124,210

Notes:

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

In the reporting year, the Group has applied all of the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for annual periods beginning on or after 1 January 2011. The application of the new and revised HKFRSs has had no material effect on how the results of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	*Disclosures – Transfers of Financial Assets*[1]
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9 and Amendments to HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*[3]
Amendments to HKAS 12	*Deferred Tax – Recovery of Underlying Assets*[2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HKAS 19 (as revised in 2011)	*Employee Benefits*[4]
HKAS 27 (as revised in 2011)	*Separate Financial Statements* [4]
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC) – Interpretation 20	*Stripping Costs of the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's financial statements.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2011 comprise the Company, its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is organised 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	–	Provision of management services, development, provision and sales of electronic gaming system

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) is managed on a group basis and is not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2011 and 2010, respectively.

(a) **Business segments**

For the year ended 31 December 2011

	Biophar-maceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
Revenue from external customers	**81,064**	**464,582**	**–**	**545,646**
Segment results	**1,024**	**107,770**	**71**	**108,865**
Unallocated corporate income				**2,912**
Unallocated corporate expenses				**(13,679)**
Finance costs				**(19,141)**
Amortisation of intangible assets				**(12,137)**
Loss on early redemption of promissory note				**(27,484)**
Profit before tax				**39,336**
Income tax expenses				**–**
Profit for the year				**39,336**

As at 31 December 2011

	Biophar-maceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	**13,831**	**482,608**	**671**	**497,110**
Unallocated assets				**5,061**
Total assets				**502,171**
Liabilities				
Segment liabilities	**33,800**	**41,577**	**558**	**75,935**
Unallocated liabilities				**159,773**
Total liabilities				**235,708**
Other information				
Capital expenditures	**4**	**18,319**	**724**	**19,047**
Amortisation of intangible assets	**–**	**12,137**	**–**	**12,137**
Depreciation of property, plant and equipment	**225**	**28,086**	**252**	**28,563**
Impairment loss for amount due from an associate	**–**	**–**	**199**	**199**

For the year ended 31 December 2010

	Biopharmaceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
Revenue from external customers	106,826	267,174	–	374,000
Segment results	(400)	9,166	1,201	9,967
Unallocated operating expenses				(24,502)
Finance costs				(30,690)
Amortisation of intangible assets				(4,046)
Loss on early redemption of promissory note				(24,226)
Loss on derecognition of derivative financial instruments				(1,278)
Loss before tax				(74,775)
Income tax expenses				–
Loss for the year				(74,775)

As at 31 December 2010

	Biopharmaceutical *HK$'000*	Gaming *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	16,417	259,278	19	275,714
Unallocated assets				197,176
Total assets				472,890
Liabilities				
Segment liabilities	34,500	44,629	58	79,187
Unallocated liabilities				269,493
Total liabilities				348,680
Other information				
Capital expenditures	4	33,954	–	33,958
Amortisation of intangible assets	–	4,046	–	4,046
Depreciation of property, plant and equipment	212	24,606	379	25,197
Impairment loss for amount due from an associate	–	–	107	107

(b) Geographical segments

	Revenue		Total assets		Capital expenditure	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The PRC and Hong Kong	**81,064**	106,826	**185,714**	213,900	**803**	19
Macau	**464,582**	267,174	**316,457**	258,990	**18,244**	33,939
	545,646	374,000	**502,171**	472,890	**19,047**	33,958

4. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**155**	4,627
Obligations under finance leases wholly repayable within five years	**18**	7
Effective interests on:		
Convertible loans *(note 13)*	**9,788**	20,524
Promissory note *(note 14)*	**9,180**	5,532
	19,141	30,690

5. INCOME TAX EXPENSES

(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

The Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% except that tax holiday enjoyed by certain subsidiaries will continue until expiry and the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd ("Hainan Kangwei") continues to be taxed at preferential tax rates.

Pursuant to the notice issued by the PRC tax authorities, the applicable tax rates for Hainan Kangwei for 2008, 2009, 2010 and 2011 were 18%, 20%, 22% and 24%, respectively. Hainan Kangwei is subject 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% (2010: 25%) prevailing in the PRC for the year with certain tax preference.

No provision for PRC Enterprise Income Tax had been made as the Group's subsidiaries either were enjoying tax holiday or did not generate any assessable profits or had available tax loss to offset against assessable profits during both years.

(iii) Macau Complementary Tax

No provision for Macau Complementary Tax had been made as the subsidiaries operating in Macau had tax losses brought forward to set off against profit for the year (2010: no assessable profits).

The charge for the year that can be reconciled with the profit (loss) before tax per the consolidated statement of comprehensive income is as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) before tax	**39,336**	(74,775)
Tax at Macau Complementary Tax rate of 12%	**4,720**	(8,973)
Tax effect of expenses not deductible for tax purpose	**1,315**	26,014
Tax effect of income not taxable for tax purpose	**(1,591)**	(8,411)
Tax effect of temporary differences not recognised	**(1,650)**	(5,235)
Tax effect of tax losses not recognised	**–**	927
Utilisation of tax loss previously not recognised	**(2,868)**	(783)
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**74**	(3,539)
Income tax expenses	**–**	–

6. PROFIT (LOSS) FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Auditors' remuneration	**770**	700
Cost of inventories recognised as expenses	**84,825**	97,524
Depreciation of property, plant and equipment	**28,563**	25,197
Direct operating expenses in respect of an investment property that did not generate rental income	**–**	57
Operating lease rentals paid in respect of rented premises	**5,509**	5,268
Amortisation of intangible assets	**12,137**	4,046
Impairment loss for amount due from an associate	**199**	107
Staff costs		
– Directors' emoluments	**6,863**	6,556
– Other staff		
– Salaries and other benefits	**39,136**	33,131
– Retirement benefits scheme contributions	**726**	701
Total staff costs	**46,725**	40,388

7. DIVIDENDS

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

8. EARNINGS (LOSS) PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
For the purpose of calculating basic earnings (loss) per share		
– Profit (loss) for the year	**35,543**	(74,774)
For the purpose of calculating diluted earnings (loss) per share		
– Profit (loss) for the year	**45,331**	(57,180)

	2011	2010
Number of shares		
Issued ordinary shares at 1 January	**1,863,444,778**	489,714,791
Effect of conversion of convertible loans	**811,112,327**	493,368,793
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**2,674,557,105**	983,083,584
Effect of dilutive potential ordinary shares on convertible notes	**988,469,863**	740,883,893
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**3,663,026,968**	1,723,967,477

As the effect of all potential ordinary shares was anti-dilutive for the year ended 31 December 2010, no diluted loss per share was presented for year 2010.

9. INTANGIBLE ASSETS

	Patents-Biopharmaceutical products *(note (a))* *HK$'000*	Patent-Betting terminal system *(note (b))* *HK$'000*	Beneficial rights to drugs under development *(note (c))* *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2010	4,705	–	78,584	83,289
Additions	–	182,066	–	182,066
Written off	–	–	(78,584)	(78,584)
At 31 December 2010 and at 31 December 2011	4,705	182,066	–	186,771
Amortisation and impairment				
At 1 January 2010	4,705	–	78,584	83,289
Amortisation for the year	–	4,046	–	4,046
Written off	–	–	(78,584)	(78,584)
At 31 December 2010	4,705	4,046	–	8,751
Amortisation for the year	–	12,137	–	12,137
At 31 December 2011	4,705	16,183	–	20,888
Carrying amount				
At 31 December 2011	–	165,883	–	165,883
At 31 December 2010	–	178,020	–	178,020

(a) It represents the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products, which were fully amortised in prior years.

(b) The patent relates to a computerized system (the "System") for operating multi gambling games. The System was installed at Casino Kam Pek Paradise and other casinos in Macau. The Group generates revenue from sharing net gaming win with casino owners under income-sharing agreements and distributing electronic gaming machines with the System in Macau.

The patent was acquired during the year 2010 from Mr Jay Chun, the Chairman of the Company, for a total consideration of HK$280,000,000 comprising cash of HK$30,000,000 and a promissory note of HK$250,000,000.

The fair value of the patent as at the acquisition date was determined at HK$288,000,000 by the directors of the Company with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the directors of the Company and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method and the capitalised transaction cost of the issuance of the promissory note. The patent is amortised over its useful life of 15 years using the straight line method.

The directors of the Company conducted an impairment assessment and considered that there was no impairment to the carrying amount of the patent as at the end of the reporting period, with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

(c) Beneficial rights to drugs under development represent the costs incurred by the Group in acquiring certain know-how and technologies in drugs, which were not yet ready for sale at the time of acquisition, and were written off in prior year.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade debtors	**43,147**	39,471
Less: Accumulated impairment loss	**(3,442)**	(10,301)
	39,705	29,170
Other debtors, deposits and prepayments	**21,328**	15,612
	61,033	44,782

The Group normally allows a credit period of 30 days and 90 to 180 days to its gaming partners and trade debtors, respectively. The credit policy is consistent with the gaming and biopharmaceutical industry practice in Macau and the PRC, respectively.

An ageing analysis of the trade debtors net of impairment loss recognised at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**33,998**	23,798
31-60 days	**3,986**	4,420
61-90 days	**1,492**	952
91-180 days	**229**	–
	39,705	29,170

11. CREDITORS AND ACCRUED CHARGES

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

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**4,618**	6,236
31-60 days	**4,026**	4,098
61-90 days	**1,664**	1,456
91-365 days	**1**	12
More than 365 days	**97**	2
Trade creditors	**10,406**	11,804
Other creditors and accrued charges	**54,567**	49,027
Value added tax payable	**9,470**	8,768
	74,443	69,599

12. RELATED PARTY TRANSACTIONS

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

	Directors		**Associate**		**Related party**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Consultancy fees paid to *(note a & b)*	**–**	–	**–**	–	**376**	424
Salaries and other benefits paid to *(notes b & c)*	**–**	–	**–**	–	**1,201**	1,200
Purchase of intangible asset from *(note d)*	**–**	280,000	**–**	–	**–**	–
Promissory note issued to *(note d)*	**–**	250,000	**–**	–	**–**	–
Amount due from *(note e & f)*	**–**	–	**9,607**	9,408	**–**	–
Amount(s) due to *(note c & e)*	**2,567**	2,141	**–**	–	**–**	2,106

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 related party is the spouse of a director, Mr. Jay Chun.

(d) The director is Mr. Jay Chun.

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

(f) Approximately HK$199,000 (2010: HK$107,000) impairment has been made for the year for the amount due from an associate.

13. CONVERTIBLE LOANS

The movement of the liability components of the convertible loans for the year is set out below:

	Total
	HK$'000
Nominal values of convertible loans issued	443,252
Transaction costs	(3,678)
Equity components	(52,728)
Liability components at date of issue	386,846
Liability components at 1 January 2010	66,214
Liability components at date of issue	243,360
Interest charged *(note 4)*	20,524
Interest paid	(11,062)
Redemption during the year	(49,677)
Converted into ordinary shares of the Company	(140,181)
Liability components at 31 December 2010 and 1 January 2011	129,178
Liability components at date of issue	52,366
Interest charged *(note 4)*	9,788
Interest paid	(7,923)
Converted into ordinary shares of the Company	(97,244)
Liability components at 31 December 2011	86,165

14. PROMISSORY NOTE

On 20 September 2010, the Group issued a Promissory Note with a principal amount of HK$250,000,000 to Mr. Jay Chun as part of the consideration for the acquisition of a Patent in relation to a betting terminal system. The Promissory Note is unsecured, non-interest bearing and has a maturity period of 4 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company. Early redemption of the Promissory Note shall be subject to discount of the outstanding principal amount as follows: 8% within the first year, 6% within the second year, 4% within the third year and 2% within the forth year.

	2011	2010
	HK$'000	*HK$'000*
At 1 January/date of issue *(note i)*	**119,472**	150,714
Interest charged *(note 4)*	**9,180**	5,532
Early redemption during the year *(note ii)*	**(60,316)**	(36,774)
At 31 December	**68,336**	119,472

Notes:

(i) The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 12.29% per annum.

(ii) During the year ended 31 December 2011, the Group redeemed principal amount of HK$100,050,000 (2010: HK$61,000,000). The loss on early redemption was the difference between the discounted repayment amount and the respective carrying amount at the date of redemption totalling HK$60,316,000 (2010: HK$36,774,000).

15. CONTINGENT LIABILITIES

On 15 September 1999, LifeTec Enterprise Limited ("LifeTec Enterprise"), a subsidiary of the Company, was named as a defendant in a High Court action in respect of an alleged failure to repay a loan in an amount of HK$20,000,000. The plaintiff took out an application for summary judgement under Order 14 of the Rules of the High Court on 6 October 1999 and in the hearing of the application on 25 October 1999, LifeTec Enterprise was given unconditional leave to defend the plaintiff's claim in the above action. LifeTec Enterprise filed its Defense on 8 November 1999. The plaintiff should have filed its reply, if any, 14 days thereafter, but LifeTec Enterprise had not received any reply from the plaintiff and the time for the plaintiff to file the same has long expired and the pleadings should be deemed to be closed. The directors believe that there is no ground for the above claim and that it will not have any material adverse impact on the Group's operations.

BUSINESS REVIEW

2011 was a rewarding year for the Group. We recorded a strong growth in revenue by 45.9% from approximately HK$374,000,000 for 2010 to approximately HK$545,646,000 for 2011. The Group turned from loss to profit of approximately HK$39,336,000 in 2011.

Gaming Business

Gaming revenue accounted for 85.1% of the Group's total revenue for the year 2011, as compared to 71.4% in 2010. The Group recorded a significant increase of 73.9% in gaming revenue from approximately HK$267,174,000 in 2010 to approximately HK$464,582,000 in 2011. Our devotion during the year to strengthening our business focus on gaming and entertainment in Macau has also effectively improved our operational efficiency. Profit from gaming business showed a tremendous growth of 1,075.8% from approximately HK$9,166,000 in 2010 to approximately HK$107,770,000 in 2011.

Biopharmaceutical Business

The Group has experienced continued challenges resulting from the medical reform and change of market conditions in Mainland China. The revenue of biopharmaceutical business decreased by 24.1% from approximately HK$106,826,000 for 2010 to approximately HK$81,064,000 for 2011 due to the intense market competition. With our effective cost control measures adopted during the year, biopharmaceutical business turned around from a loss of approximately HK$400,000 for 2010 to a profit of approximately HK$1,024,000 for 2011.

Prospects

The gaming market in Macau has experienced significant growth in the past few years. In the year 2011, visitation to Macau broke a new record of 28,002,279 of which visitors from the Mainland comprised 57.7%. The Group expects to have excellent future prospects.

Liquidity and Financial Resources

As at 31 December 2011, the Group's finance lease, liability component of convertible loans and promissory note stood at HK$1,730,000, HK$86,165,000 and HK$68,336,000, respectively, of which HK$1,318,000, nil and nil respectively were payable within 12 months. Current liabilities of the Group decreased from HK$100,030,000 to HK$80,795,000, representing a decrease of approximately 19.2%. The Group's total liabilities decreased from HK$348,680,000 to HK$235,708,000, representing a decrease of approximately 32.4%. The Group's total assets increased from HK$472,890,000 to HK$502,171,000. The percentage of total liabilities to total assets as at 31 December 2011 stood at 46.9% which is lower than 73.7% as at 31 December 2010.

As at 31 December 2011, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Foreign Exchange Exposure

The Group's operations are primarily based in the PRC and Macau and the income derived and expenses incurred are denominated in Renminbi ("RMB") and Macau Pataca ("MOP") respectively. On the other hand, the expenses of the headquarters are denominated in Hong Kong dollars ("HK$") and are financed by funds raised in Hong Kong dollars. Due to the relatively matched position among Hong Kong, Macau and the PRC and the stability of the exchange rates between RMB and HK$ and between MOP and HK$, the directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2011, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle acquired during the year and gaming machines with net book value amounting to approximately HK$592,000 (2010: Nil) and HK$4,633,000 (2010: HK$5,460,000), respectively.

Organization and Staff

The Group had 379 staff (2010: 420) as at 31 December 2011. Majority of the staff are marketing and promotion executives in Macau. The Group is actively seeking talent in Macau, Hong Kong and China 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code on 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 2011 except for certain deviations disclosed herein.

Code Provision A.1.1

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

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the managing director and the chief executive officer are the same. Although under A.2.1 of the Code, the roles of the Chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

Code Provision A.4.1

In accordance with A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the independent non-executive directors of the Company is appointed for a specific term. However, all directors (including the independent non-executive directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.

Code Provision E.1.2

In accordance with E.1.2 of the Code, Mr. Jay Chun as the Chairman of the Board should attend the annual general meeting of the Company. However, the annual general meeting held on 2 June 2011 was chaired by Ms. Ho Suet Man Stella, a duly appointed proxy of a shareholder of the Company, instead of Mr. Jay Chun. Mr. Jay Chun did not attend the annual general meeting in 2011 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. Kuan Hin Meng.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2011.

The Chairman of the Audit Committee, Mr. Frank Hu, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules.

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, I would like to thank our shareholders, bankers, professional parties and customers for their continuous support. I would also like to thank our executives and staff for their dedication and professionalism.

By Order of the Board
Paradise Entertainment Limited
Ho Suet Man Stella
Company Secretary

Hong Kong, 29 March 2012

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 Mr. Hu Liming and the independent non-executive directors of the Company are Mr. Frank Hu, Mr. Li John Zongyang and Mr. Kuan Hin Meng.

* *For identification purposes only*