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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 2012

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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (Restated)
CONTINUING OPERATIONS			
Turnover	*3*	**728,954**	464,582
Cost of sales and services		**(244,764)**	(180,108)
Gross profit		**484,190**	284,474
Other income		**1,986**	7,677
Marketing, selling and distribution costs		**(133,945)**	(82,316)
Administrative expenses		**(167,910)**	(108,918)
Impairment loss for doubtful debts		**(471)**	(199)
Share-based payments		**–**	(3,787)
Finance costs	*4*	**(10,495)**	(19,141)
Amortisation for intangible assets		**(12,138)**	(12,137)
Loss on early redemption of promissory note		**(12,795)**	(27,484)
Profit before tax		**148,422**	38,169
Income tax expenses	*5*	**(26,206)**	–
Profit for the year from continuing operations		**122,216**	38,169
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	*6*	**21,093**	1,167
Profit for the year	*7*	**143,309**	39,336
Attributable to:			
Owners of the Company		**126,698**	35,543
Non-controlling interests		**16,611**	3,793
		143,309	39,336
Earnings per share (HK cents)	*9*		
From continuing and discontinued operations			
– Basic		**4.46**	1.33
– Diluted		**3.61**	1.24

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(Restated)
Earnings per share (HK cents)	*9*		
From continuing operations			
– Basic		**3.72**	1.29
– Diluted		**3.04**	1.21
Profit for the year	*7*	**143,309**	39,336
Other comprehensive income			
Net gain recognised directly in equity			
Exchange translation differences		**83**	252
Total comprehensive income for the year, net of tax		**143,392**	39,588
Total comprehensive income attributable to:			
Owners of the Company		**126,784**	35,886
Non-controlling interests		**16,608**	3,702
		143,392	39,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**152,146**	148,869
Intangible assets	*10*	**153,745**	165,883
Interest in an associate		**–**	–
		305,891	314,752
Current assets			
Inventories		**4,810**	200
Debtors, deposits and prepayments	*11*	**106,076**	61,033
Bank and cash balances		**196,169**	126,186
		307,055	187,419
Current liabilities			
Creditors and accrued charges	*12*	**84,327**	74,443
Amounts due to directors	*13*	**6,364**	2,567
Obligations under finance leases – due within one year		**108**	1,318
Current tax liabilities		**13,406**	2,467
		104,205	80,795
Net current assets		**202,850**	106,624
Total assets less current liabilities		**508,741**	421,376

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Non-current liabilities			
Obligations under finance leases – due after one year		**304**	412
Convertible loans – due after one year	*14*	**86,933**	86,165
Promissory note	*15*	**–**	68,336
Deferred tax liabilities		**12,800**	–
		100,037	154,913
Net assets		**408,704**	266,463
Capital and reserves			
Share capital		**284,144**	284,144
Reserves		**104,100**	(21,432)
Equity attributable to owners of the Company		**388,244**	262,712
Non-controlling interests		**20,460**	3,751
Total equity		**408,704**	266,463

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 ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012. 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 applied in advance the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 1	*Government Loans*[2]
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 7 and HKFRS 9	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidence*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (as revised in 2011)	*Employee Benefits*[2]
HKAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to HKFRSs	*Annual Improvement 2009-2011 Cycle*[2]
HK(IFRIC) – Interpretation 20	*Stripping Costs of the Production Phase of a Surface Mine*[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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 have 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 2012 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 which was classified as discontinued operation of the Group and was disposed of during the year
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.

During the year, the Group's operating segments changed as a result of the change in the Group's internal organization structure. The corresponding information for the year ended 31 December 2011 has been re-stated accordingly.

The following tables present revenue and profit information regarding the Group's operating segments for each of the two years ended 31 December 2012 and 2011, respectively.

(a) Business segments

For the year ended 31 December 2012

	Continuing operations			Discontinued operation	
	Gaming	Others	Sub-total	Biophar-maceutical	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Revenue from external customers	**728,954**	**–**	**728,954**	**20,384**	**749,338**
Segment results	**199,751**	**(28,039)**	**171,712**	**185**	**171,897**
Finance costs					**(10,495)**
Loss on early redemption of promissory note					**(12,795)**
Gain on disposal of Disposed Group					**20,908**
Profit before tax					**169,515**
Income tax expenses					**(26,206)**
Profit for the year					**143,309**
Assets					
Segment assets	**607,549**	**5,397**	**612,946**	**–**	**612,946**
Unallocated assets					**–**
Total assets					**612,946**
Liabilities					
Segment liabilities	**108,798**	**95,444**	**204,242**	**–**	**204,242**
Unallocated liabilities					**–**
Total liabilities					**204,242**
Other information					
Capital expenditures	**31,450**	**901**	**32,351**	**–**	**32,351**
Amortisation of intangible assets	**12,138**	**–**	**12,138**	**–**	**12,138**
Depreciation of property, plant and equipment	**27,834**	**328**	**28,162**	**57**	**28,219**
Impairment loss for amount due from an associate	**–**	**82**	**82**	**–**	**82**

For the year ended 31 December 2011

	Continuing operations			Discontinued operation	
	Gaming	Others	Sub-total	Biophar-maceutical	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenue					
Revenue from external customers	464,582	–	464,582	81,064	545,646
Segment results	110,117	(25,323)	84,794	1,167	85,961
Finance costs					(19,141)
Loss on early redemption of promissory note					(27,484)
Profit before tax					39,336
Income tax expenses					–
Profit for the year					39,336
Assets					
Segment assets	482,673	5,694	488,367	13,804	502,171
Unallocated assets					–
Total assets					502,171
Liabilities					
Segment liabilities	109,921	91,987	201,908	33,800	235,708
Unallocated liabilities					–
Total liabilities					235,708
Other information					
Capital expenditures	18,318	725	19,043	4	19,047
Amortisation of intangible assets	12,137	–	12,137	–	12,137
Depreciation of property, plant and equipment	28,086	252	28,338	225	28,563
Impairment loss for amount due from an associate	–	199	199	–	199

(b) Geographical segments

	Revenue		Total assets		Capital expenditure	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The PRC and Hong Kong	**20,384**	81,064	**5,397**	185,714	**1,581**	803
Macau	**728,954**	464,582	**607,549**	316,457	**30,770**	18,244
	749,338	545,646	**612,946**	502,171	**32,351**	19,047

4. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**–**	155
Obligations under finance leases wholly repayable within five years	**32**	18
Effective interests on:		
Convertible loans *(note 14)*	**7,872**	9,788
Promissory note *(note 15)*	**2,591**	9,180
	10,495	19,141

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

For operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2011: 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

For operating subsidiaries established in Macau, Macau Complementary Tax is calculated at the rate of 12% (2011: tax losses were brought forward to set off against profit for the year) prevailing in Macau for the year with certain tax preference.

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Current tax – Macau	**13,406**	–
Deferred tax	**12,800**	–
Total tax charge for the year	**26,206**	–

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**148,422**	38,169
Tax at Macau Complementary Tax rate of 12%	**17,811**	4,580
Tax effect of expenses not deductible for tax purpose	**24,343**	1,093
Tax effect of income not taxable for tax purpose	**(27,112)**	(1,579)
Tax effect of temporary differences not recognised	**1,119**	(1,650)
Utilisation of tax loss previously not recognised	**–**	(2,271)
Tax effect of deferred tax recognised in respect of temporary differences	**12,800**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(173)
Tax effect of different tax rates enacted by local authority	**(2,755)**	–
Income tax expenses	**26,206**	–

6. DISCONTINUED OPERATION

In April 2012, the Group disposed of its entire interest in LifeTec Pharmaceutical Limited and its subsidiaries (collectively the “Disposed Group”) for a nominal consideration of HK$7.80. For details of the disposal, please refer to the Company’s announcement dated 2 April 2012. A gain on disposal of the Disposed Group of HK$20.9 million has been recognised during the year. The biopharmaceutical business segment which was solely carried out by the Disposed Group was classified as a discontinued operation during the year. The consolidated statement of comprehensive income and presentation of certain items of the corresponding reporting period have been restated to comply with the relevant requirements accordingly.

The results of the Disposed Group up to the disposal date were presented below:

	2012	2011
	HK$’000	*HK$’000*
Revenue	**20,384**	81,064
Cost of sales and services	**(19,265)**	(74,191)
Gross profit	**1,119**	6,873
Other income	**133**	172
Marketing, selling and distribution costs	**(286)**	(2,209)
Administrative expenses	**(781)**	(3,669)
Profit for the year of the discontinued operation	**185**	1,167
Gain on disposal of the Disposed Group	**20,908**	–
Profit for the year from the discontinued operation	**21,093**	1,167
Attributable to:		
Owners of the Company	**21,088**	1,217
Non-controlling interests	**5**	(50)
	21,093	1,167
Earnings per share (HK cents)		
– Basic	**0.74**	0.04
– Diluted	**0.57**	0.03

The net liabilities of the Disposed Group as at disposal date were as follows:

	HK$'000
Property, plant and equipment	**828**
Inventories	**159**
Debtors, deposits and prepayments	**12,017**
Bank and cash balances	**2,441**
Creditors and accrued charges	**(32,753)**
Current tax liabilities	**(2,448)**
Non-controlling interest	**100**
Release of translation reserve	**(1,252)**
Net liabilities of the Disposed Group at the date of disposal	**(20,908)**

The cash flow attributable to the discontinued operation was as follows:

	2012	2011
	HK$'000	*HK$'000*
Net cash used in operating activities	**(195)**	(2,525)
Net cash generated from investing activities	**2**	4
Net cash generated from financing activities	**59**	2,585
Net (decrease) increase in cash and cash equivalents	**(134)**	64

Profit of the Disposed Group for the year has been arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**19,265**	74,191
Depreciation of property, plant and equipment	**57**	225
Operating lease rentals paid in respect of rented premises	**76**	243
Loss on disposal of property, plant and equipment	**32**	–
Staff costs		
– Directors' emoluments	**–**	–
– Other staff		
– Salaries and other benefits	**179**	699
– Retirement benefits scheme contributions	**42**	214
Total staff costs	**221**	913

7. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
CONTINUING OPERATIONS		
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**790**	770
Cost of inventories recognised as expenses	**40,016**	10,634
Depreciation of property, plant and equipment	**28,162**	28,338
Operating lease rentals paid in respect of rented premises	**6,704**	5,266
Amortisation of intangible assets	**12,138**	12,137
Impairment loss for amount due from an associate	**82**	199
Loss on disposal of property, plant and equipment	**33**	–
Staff costs		
– Directors' emoluments	**23,692**	6,863
– Other staff		
– Salaries and other benefits	**46,507**	38,437
– Retirement benefits scheme contributions	**467**	512
Total staff costs	**70,666**	45,812

8. DIVIDENDS

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

9. EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
For the purpose of calculating basic earnings per share		
Profit for the year		
– From continuing operations	**105,610**	34,326
– From discontinued operation	**21,088**	1,217
	126,698	35,543
For the purpose of calculating diluted earnings per share		
Profit for the year		
– From continuing operations	**113,482**	44,114
– From discontinued operation	**21,088**	1,217
	134,570	45,331

	2012	2011
Number of shares		
Issued ordinary shares at 1 January	**2,841,444,778**	1,863,444,778
Effect of conversion of convertible loans	**–**	811,112,327
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,841,444,778**	2,674,557,105
Effect of dilutive potential ordinary shares on convertible loans	**887,500,000**	988,469,863
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,728,944,778**	3,663,026,968

10. INTANGIBLE ASSETS

	Patents-Biophar-maceutical products *(note (a))* *HK$'000*	**Patent-Betting terminal system** *(note (b))* *HK$'000*	**Total** *HK$'000*
Cost			
At 31 December 2011 and at 31 December 2012	4,705	182,066	186,771
Amortisation and impairment			
At 1 January 2011	4,705	4,046	8,751
Amortisation for the year	–	12,137	12,137
At 31 December 2011	4,705	16,183	20,888
Amortisation for the year	–	12,138	12,138
At 31 December 2012	4,705	28,321	33,026
Carrying amount			
At 31 December 2012	–	153,745	153,745
At 31 December 2011	–	165,883	165,883

(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 in 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 installed with the System in Macau.

The patent was acquired during the year 2010 from Mr. Jay Chun, the Chairman and an executive director of the Company, for a total consideration of HK$280,000,000 comprising cash payment 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 the 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 (note 15) 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 the valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade debtors	**65,662**	43,147
Less: Accumulated impairment loss	**(287)**	(3,442)
	65,375	39,705
Other debtors, deposits and prepayments	**40,701**	21,328
	106,076	61,033

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:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**63,181**	33,998
31-60 days	**1,714**	3,986
61-90 days	**480**	1,492
91-180 days	**–**	229
	65,375	39,705

12. CREDITORS AND ACCRUED CHARGES

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	–	4,618
31-60 days	–	4,026
61-90 days	–	1,664
91-365 days	–	1
More than 365 days	–	97
Trade creditors	–	10,406
Other creditors and accrued charges	**84,327**	54,567
Value added tax payable	–	9,470
	84,327	74,443

13. RELATED PARTY TRANSACTIONS

(a) 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**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Consultancy fees paid to *(notes a & b)*	–	–	–	–	**367**	376
Salaries and other benefits paid to (notes b & c)	–	–	–	–	**4,793**	1,301
Amount due from *(notes d & e)*	–	–	**9,689**	9,607	–	–
Amount(s) due to *(notes c & d)*	**6,364**	2,567	–	–	–	–

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 amounts due are unsecured, interest free and have no fixed terms of repayment.

(e) Impairment of approximately HK$82,000 (2011: HK$199,000) has been made for the year for the amount due from an associate.

(b) During the year, the Group also entered into a sales and purchase agreement with Mr. Jay Chun, the Chairman and an executive director of the Company, for the acquisition of various patents in the United States of Amercia. Details are set out in Note 17(a).

(c) Key Management Personnel Remuneration

	2012	2011
	HK$'000	*HK$'000*
Short-term employee benefits	**30,443**	9,392
Retirement benefits scheme contributions	**40**	36
	30,483	9,428

14. CONVERTIBLE LOANS

The net proceeds received from the issue of convertible loans have been split into the liability components and the equity components as follows:

	Total
	HK$'000
Nominal values of convertible loans issued	**331,252**
Transaction costs	**(2,050)**
Equity components	**(33,476)**
Liability components at date of issue	**295,726**

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

	Total
	HK$'000
Liability components at 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 31December 2011 and 1 January 2012	**86,165**
Interest charged *(note 4)*	**7,872**
Interest paid	**(7,104)**
Liability components at 31 December 2012	**86,933**

15. 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 fourth year.

	2012	2011
	HK$'000	*HK$'000*
At 1 January *(note i)*	**68,336**	119,472
Interest charged *(note 4)*	**2,591**	9,180
Early redemption during the year *(note ii)*	**(70,927)**	(60,316)
At 31 December	**–**	68,336

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 2012, the Group redeemed principal amount of HK$83,722,000 (2011: HK$100,050,000). 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$70,927,000 (2011: HK$60,316,000).

16. CONTINGENT LIABILITIES

(a) 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 defence 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.

(b) In 2012, the Company had been served with a summon issued by the Macau Judicial Base Court ("Tribunal Judicial de Base"), pursuant to which Shuffle Master Asia Limited ("Shuffle Master") has commenced injunction proceedings against the Company, its subsidiaries (i) LT Game Limited ("LT Game") (an entity which owns the global (including Macau) rights to use, distribute and maintain the material and equipment that uses the invention object of the Macau Invention Patent No. I/000150 ("Patent I/150") and the Macau Invention Patent No. I/000380 ("Patent I/380")), and (ii) Natural Noble Limited ("Natural Noble") (the owner of Patent I/380) and Mr. Jay Chun (the Chairman and an executive director of the Company, the inventor and registered owner of Patent I/150) (collectively, the "Respondents") (the "Injunction").

The Injunction seeks orders to restrain, amongst others, the Respondents from, amongst other things, (i) making any representation or expression on any monopoly right over all and any solutions allowing players to play remotely in real time on a plurality of live games; (ii) and unfairly competing with Shuffle Master in any manner, amongst other ancillary petitions. Details of the Injunction are set out in the Company's announcement dated 1 November 2012. The Company and its directors strongly refute the Injunction, the claim and the allegation made therein, and consider them to be without merit.

As at the date of this announcement, the Company, LT Game and Natural Noble have filed their opposition to the Injunction. The Company and its directors believe that the Injunction was initiated as one more phase of a litigation tactic to pressurize the Group, as a result of the infringement proceedings originally filed by Mr. Jay Chun, LT Game and Natural Noble, against, inter alia, Shuffle Master, for infringements of Patent I/380 and Patent I/150.

17. SUBSEQUENT EVENTS

(a) The Group intends to acquire various patents in the United States of America in relation to a betting terminal system from Mr. Jay Chun, the Chairman and an executive director of the Company (the "Acquisition"). The directors of the Company also propose to reorganise the share capital of the Company ("the Capital Reorganisation"). As at the date of this announcement, the Acquisition and the Capital Reorganisation are still in progress.

For details of the Acquisition and the Capital Reorganisation, please refer to the Company's announcements dated 7 January 2013, 28 February 2013 and 18 March 2013.

(b) As at the date of this announcement, the Company, LT Game and Natural Noble have filed their oppoistion to the Injunction. Details are set out in Note 16(b).

BUSINESS REVIEW

The Group has seen encouraging results for 2012. The Group's gaming revenue rose by 57% from approximately HK$464,582,000 for 2011 to approximately HK$728,954,000 for 2012 as a result of the continued strong performance of the gaming business which reflected increased visitation to Macau and increased spending per visitor. Profits of the Group surged almost triple from approximately HK$39,336,000 for 2011 to approximately HK$143,309,000 for 2012. The Group's adjusted EBITDA increased by 114% to HK$203,754,000.

In order to focus on its gaming business, in April 2012, the Group disposed of the entire issued share capital of LifeTec Pharmaceutical Limited, which was the Group's wholly-owned subsidiary and an investment holding company of the pharmaceutical business of the Group. Accordingly, the Group recognised a gain of approximately HK$20,908,000. The disposal enables the Group to enhance the efficacy of resource allocation.

The total number of visitor arrivals in Macau increased to a record high of 28,082,292 in 2012. The Group remains confident in the long-term growth of Macau and expects to have excellent future prospects.

Liquidity and Financial Resources

As at 31 December 2012, the Group's finance lease and liability components of convertible loans stood at HK$412,000 and HK$86,933,000, respectively, of which HK$108,000 and nil, respectively, were payable within 12 months. Current liabilities of the Group increased from HK$80,795,000 to HK$104,205,000, representing an increase of approximately 29.0%. The Group's total liabilities decreased from HK$235,708,000 to HK$204,242,000, representing a decrease of approximately 13.3%.

As at 31 December 2012, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding interest bearing borrowing less bank and cash balances to total assets (excluding bank and cash balances)) as at 31 December 2012 was nil (2011: 8%).

Foreign Exchange Exposure

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

Charges on Group Assets

As at 31 December 2012, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle and gaming machines with net book value amounting to approximately HK$458,000 (2011: HK$592,000) and nil (2011: HK$4,633,000), respectively.

Organization and Staff

The Group had 432 staff (2011: 379) as at 31 December 2012. A majority of the staff are operational staff and marketing executives in Macau. The Group is actively seeking talents in Macau, Hong Kong and China in order to cope with its fast growing operations.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") which was revised and took effect on 1 April 2012, as well as those of the former Code, as contained 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 2012 except for certain deviations disclosed below:

Code Provision A.1.1

During the year, the Board held only two regular meetings. The number of regular Board meetings held during the year fell short of the four times a year as set out in code provision A.1.1 of the Code because of the conflicting schedules of the members of the Board, which rendered it difficult 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 code provision A.2.1 of the Code, the roles of the Chairman and chief executive officer should be separate 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 shall 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 code provision 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 A.6.7

Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. However, due to other business engagements, all independent non-executive directors of the Company were unable to attend the annual general meeting on 1 June 2012.

Code Provision E.1.2

In accordance with code provision E.1.2 of the Code, Mr. Jay Chun as the Chairman of the Board should attend and invite the chairman of the audit committee, remuneration committee and nomination committee to attend the annual general meeting of the Company. However, the annual general meeting held on 1 June 2012 was chaired by Ms. Ho Suet Man Stella, a duly appointed proxy of a shareholder of the Company, instead of Mr. Jay Chun or the chairman of the audit committee, remuneration committee or nomination committee. Mr. Jay Chun, the chairman of the audit committee, remuneration committee and nomination committee did not attend the annual general meeting as they were engaged in other commitments of the Company.

AUDIT COMMITTEE

The audit committee of the Company (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 2012.

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 had 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, 27 March 2013

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*