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## 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 2013

#### RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2013 together with the comparative figures for the relevant period in 2012 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Turnover</b>	3	<b>405,132</b>	318,103
Cost of sales and services		<u>(153,692)</u>	<u>(107,219)</u>
Gross profit		<b>251,440</b>	210,884
Other income		<b>1,014</b>	1,100
Marketing, selling and distribution costs		<b>(80,136)</b>	(60,991)
Administrative expenses		<b>(110,911)</b>	(75,585)
Impairment loss for doubtful debts		<b>(67)</b>	(557)
Finance costs		<b>(4,298)</b>	(6,240)
Amortisation of intangible assets		<b>(8,352)</b>	(6,069)
Loss on early redemption of promissory note		<u>–</u>	<u>(9,297)</u>
<b>Profit before tax</b>		<b>48,690</b>	53,245
Income tax expenses	6	<u>(3,315)</u>	<u>(21,500)</u>
<b>Profit for the period from continuing operations</b>		<b>45,375</b>	31,745
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	7	<u>–</u>	<u>21,093</u>
<b>Profit for the period</b>	4	<u><b>45,375</b></u>	<u><b>52,838</b></u>

\* For identification purpose only

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Owners of the Company		<b>40,160</b>	47,357
Non-controlling interests		<b>5,215</b>	5,481
		<u><b>45,375</b></u>	<u>52,838</u>
Earnings per share ( <i>HK cents</i> )			
From continuing and discontinued operations	<i>8</i>		
– Basic		<u><b>12.27</b></u>	<u>16.70</u>
– Diluted		<u><b>10.71</b></u>	<u>13.80</u>
From continuing operations			
– Basic		<u><b>12.27</b></u>	<u>9.20</u>
– Diluted		<u><b>10.71</b></u>	<u>8.10</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	45,375	52,838
Other comprehensive income		
Net gain recognised directly in equity		
Exchange translation differences	<u>117</u>	<u>16</u>
Total comprehensive income for the period, net of tax	<u><b>45,492</b></u>	<u><b>52,854</b></u>
Total comprehensive income attributable to:		
Owners of the Company	40,277	47,376
Non-controlling interests	<u>5,215</u>	<u>5,478</u>
	<u><b>45,492</b></u>	<u><b>52,854</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	<i>9</i>	191,544	152,146
Intangible assets	<i>10</i>	802,928	153,745
		994,472	305,891
<b>Current assets</b>			
Inventories		13,994	4,810
Debtors, deposits and prepayments	<i>11</i>	113,133	106,076
Bank and cash balances		128,959	196,169
		256,086	307,055
<b>Current liabilities</b>			
Creditors and accrued charges	<i>12</i>	77,285	84,327
Amounts due to directors	<i>18</i>	3,695	6,364
Obligations under finance leases – due within one year	<i>13</i>	112	108
Current tax liabilities		17,530	13,406
		98,622	104,205
<b>Net current assets</b>		<b>157,464</b>	202,850
<b>Total assets less current liabilities</b>		<b>1,151,936</b>	508,741
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year	<i>13</i>	247	304
Convertible loans – due after one year	<i>14</i>	56,338	86,933
Promissory note	<i>15</i>	118,059	–
Deferred tax liabilities		12,000	12,800
		186,644	100,037
<b>Net assets</b>		<b>965,292</b>	408,704
<b>Capital and reserves</b>			
Share capital	<i>16</i>	915	284,144
Reserves		938,702	104,100
		939,617	388,244
Equity attributable to owners of the Company		939,617	388,244
Non-controlling interests		25,675	20,460
		965,292	408,704
<b>Total equity</b>		<b>965,292</b>	408,704

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	<b>52,861</b>	87,546
Net cash used in investing activities	<b>(116,533)</b>	(11,342)
Net cash used in financing activities	<b>(3,645)</b>	(60,109)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(67,317)</b>	16,095
Effect of foreign exchange rate changes	<b>107</b>	19
Cash and cash equivalents at beginning of the period	<b>196,169</b>	126,186
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>128,959</b>	142,300
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by</b>		
Bank and cash balances	<b>128,959</b>	142,300
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For six months ended 30 June 2013*

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Option reserve HK\$'000	Convertible loans reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2013	284,144	581,629	88,643	3,787	6,235	21,257	(597,451)	388,244	20,460	408,704
Total comprehensive income for the period	-	-	-	-	-	117	40,160	40,277	5,215	45,492
Recognition of equity component of convertible loans	31,000	982	-	-	(886)	-	-	31,096	-	31,096
Capital reorganisation	(314,829)	(316,040)	30,969	-	-	-	599,900	-	-	-
Issue of new shares	600	479,400	-	-	-	-	-	480,000	-	480,000
At 30 June 2013	<u>915</u>	<u>745,971</u>	<u>119,612</u>	<u>3,787</u>	<u>5,349</u>	<u>21,374</u>	<u>42,609</u>	<u>939,617</u>	<u>25,675</u>	<u>965,292</u>

## *For six months ended 30 June 2012*

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Option reserve HK\$'000	Convertible loans reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2012	284,144	581,629	88,643	57,841	6,235	22,423	(778,203)	262,712	3,751	266,463
Total comprehensive income for the period	-	-	-	-	-	19	47,357	47,376	5,478	52,854
Transfer of share option reserve upon the lapse of share options	-	-	-	(26,923)	-	-	26,923	-	-	-
Disposal of subsidiaries	-	-	-	-	-	(1,252)	-	(1,252)	101	(1,151)
At 30 June 2012	<u>284,144</u>	<u>581,629</u>	<u>88,643</u>	<u>30,918</u>	<u>6,235</u>	<u>21,190</u>	<u>(703,923)</u>	<u>308,836</u>	<u>9,330</u>	<u>318,166</u>

NOTES:

**(1) Basis of preparation**

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions 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 the 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 2012.

The application of the new and revised Standards, Amendments or Interpretations issued by the HKICPA has had no material effect on how the results and financial position of the Group for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment is required.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>2</sup>

<sup>1.</sup> *Effective for annual periods beginning on or after 1 January 2014*

<sup>2.</sup> *Effective for annual periods beginning on or after 1 January 2015*

**(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 period ended 30 June 2012
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.

	Unaudited									
	Six months ended 30 June									
	Continuing operations						Discontinued operation		Total	
	Gaming		Others		Sub-total		Biopharmaceutical		Total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Revenue</b>										
Revenue from external customers	<u>405,132</u>	<u>318,103</u>	<u>-</u>	<u>-</u>	<u>405,132</u>	<u>318,103</u>	<u>-</u>	<u>20,385</u>	<u>405,132</u>	<u>338,488</u>
<b>Segment results</b>	<u>63,375</u>	<u>82,693</u>	<u>(10,387)</u>	<u>(13,911)</u>	<u>52,988</u>	<u>68,782</u>	<u>-</u>	<u>185</u>	<u>52,988</u>	<u>68,967</u>
Gain on disposal of a subsidiary									-	20,908
Finance costs									(4,298)	(6,240)
Loss on early redemption of promissory note									-	(9,297)
<b>Profit before tax</b>									<u>48,690</u>	<u>74,338</u>
Income tax expenses									<u>(3,315)</u>	<u>(21,500)</u>
<b>Profit for the period</b>									<u>45,375</u>	<u>52,838</u>
<b>Other information</b>										
Capital expenditure	<u>55,056</u>	<u>8,281</u>	<u>1,479</u>	<u>621</u>	<u>56,535</u>	<u>8,902</u>	<u>-</u>	<u>-</u>	<u>56,535</u>	<u>8,902</u>
Depreciation	<u>16,746</u>	<u>13,828</u>	<u>361</u>	<u>149</u>	<u>17,107</u>	<u>13,977</u>	<u>-</u>	<u>57</u>	<u>17,107</u>	<u>14,034</u>



(4) Profit for the period

Profit for the period has been arrived at after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Staff costs		
– Directors' remunerations ( <i>note 5</i> )	13,004	8,303
– Other staffs		
– Salaries and other benefits	29,083	24,369
– Retirement benefit scheme contributions	349	213
	<hr/>	<hr/>
Total staff costs	42,436	32,885
Consultancy fee		
– Others	3,117	894
Auditors' remuneration	396	472
Amortisation for intangible assets	8,352	6,069
Cost of inventories recognised as expenses	25,980	7,757
Depreciation of property, plant and equipment	17,107	13,941
Loss on disposal of property, plant and equipment	40	25
Impairment loss for amount due from an associate	67	15
Operating lease rentals paid in respect of rented premises	4,651	3,178
	<hr/> <hr/>	<hr/> <hr/>
<b>Discontinued operation</b>		
Staff costs		
– Salaries and other benefits	–	179
– Retirement benefit scheme contributions	–	42
	<hr/>	<hr/>
Total staff costs	–	221
Cost of inventories recognised as expenses	–	19,266
Depreciation of property, plant and equipment	–	57
Operating lease rentals paid in respect of rented premises	–	76
	<hr/> <hr/>	<hr/> <hr/>

(5) **Directors' remuneration**

The remuneration of directors during the period was as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Directors' fees	<b>180</b>	180
Salaries and other benefits	<b>12,060</b>	7,230
Retirement benefit scheme contributions	<b>14</b>	13
Accommodation benefits	<b>750</b>	880
	<b>13,004</b>	<b>8,303</b>

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

(6) **Income tax expenses**

The income tax expenses during the period was as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for:		
Income tax	<b>4,115</b>	8,500
Deferred tax	<b>(800)</b>	13,000
	<b>3,315</b>	<b>21,500</b>

No provision for Hong Kong Profits Tax or PRC Enterprise Income Tax has been made in the financial statements as the Group did not generate any assessable profit in Hong Kong or PRC for the period. The provision for Macau Complementary Tax of HK\$4.1 million (2012: HK\$8.5 million) is calculated on the assessable profit at the prevailing tax rate in Macau in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the jurisdictions in which the Group operates. Deferred tax liabilities of HK\$12.0 million (2012: HK\$13.0 million) arose from the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(7) **Discontinued operation**

In April 2012, the Group disposed of its entire interest in LifeTec Pharmaceutical Limited and its subsidiaries (collectively the “Disposed Group”) at a nominal consideration of US\$1. 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 was recognised during the period ended 30 June 2012. The biopharmaceutical business segment which was solely carried out by the Disposed Group was classified as a discontinued operation during the period ended 30 June 2012.

An analysis of the results of the discontinued operation is as follows:

	2012 <i>HK\$’000</i>
Revenue	20,385
Cost of sales and services	<u>(19,266)</u>
Gross profit	1,119
Other income	133
Marketing, selling and distribution costs	(286)
Administrative expenses	<u>(781)</u>
Profit for the period of the discontinued operation	185
Gain on disposal of the Disposed Group	<u>20,908</u>
Profit for the period from the discontinued operation	<u><u>21,093</u></u>
Attributable to:	
Owners of the Company	21,088
Non-controlling interests	<u>5</u>
	<u><u>21,093</u></u>
Earnings per share ( <i>HK cents</i> )	
– Basic	7.50
– Diluted	<u><u>5.70</u></u>

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

	2012 <i>HK\$’000</i>
Net cash used in operating activities	(195)
Net cash generated from investing activities	2
Net cash generated from financing activities	<u>59</u>
Net decrease in cash and cash equivalents	<u><u>(134)</u></u>

**(8) Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data and has been adjusted to reflect the share consolidation which took effect during the period ended 30 June 2013:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	<b>40,160</b>	26,269
From a discontinued operation	–	21,088
	<u>40,160</u>	<u>47,357</u>
Interest on convertible bonds	<u>3,762</u>	<u>3,932</u>
Profit attributable to owners of the Company before interest on convertible bonds	<u><b>43,922</b></u>	<u>51,289</u>
Attributable to:		
Continuing operations	<b>43,922</b>	30,201
Discontinued operation	–	21,088
	<u><b>43,922</b></u>	<u>51,289</u>
<b>Unaudited</b>		
<b>Six months ended 30 June</b>		
<b>2013</b>		
2012		
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>327,266,025</b>	284,144,478
Effect of dilutive potential ordinary shares on convertible notes	<u><b>82,740,501</b></u>	<u>88,750,000</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>410,006,526</b></u>	<u>372,894,478</u>

**(9) Property, plant and equipment**

During the period, additions to the property, plant and equipment amounted to HK\$56.5 million, which includes HK\$23.9 million of gaming facilities and HK\$29.8 million of leasehold improvements.

**(10) Intangible assets**

During the period, additions to intangible assets amounted to HK\$657.5 million. For details of such acquisition, please refer to the Company's circular dated 9 May 2013.

**(11) Debtors, deposits and prepayments**

	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	<b>50,402</b>	63,181
31 – 60 days	<b>5,130</b>	1,714
61 – 90 days	<b>10,743</b>	480
Over 90 days	<b>782</b>	–
	<hr/>	<hr/>
Other debtors, deposits and prepayments	<b>67,057</b>	65,375
	<b>46,076</b>	40,701
	<hr/>	<hr/>
	<b>113,133</b>	106,076
	<hr/> <hr/>	<hr/> <hr/>

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 industry practice in Macau.

**(12) Creditors and accrued charges**

	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	<b>8,358</b>	–
31 – 60 days	<b>931</b>	–
61 – 90 days	<b>1,142</b>	–
91 – 365 days	<b>627</b>	–
	<hr/>	<hr/>
Other creditors and accrued charges	<b>11,058</b>	–
	<b>66,227</b>	84,327
	<hr/>	<hr/>
	<b>77,285</b>	84,327
	<hr/> <hr/>	<hr/> <hr/>

(13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Within one year	132	132	112	108
More than one year, but not exceeding two years	132	132	120	116
More than two years, but not exceeding five years	132	197	127	188
	<u>396</u>	<u>461</u>	<u>359</u>	<u>412</u>
Less: Future finance charges	<u>(37)</u>	<u>(49)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><u>359</u></u>	<u><u>412</u></u>	<u><u>359</u></u>	<u><u>412</u></u>
Less: Amounts due for settlement within one year (shown under current liabilities)			<u>(112)</u>	<u>(108)</u>
Amounts due for settlement after one year			<u><u>247</u></u>	<u><u>304</u></u>

All obligations under finance leases are denominated in Hong Kong dollars.

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

(14) Convertible Loans

On 20 January 2010, the Company entered into subscription agreements with three independent third parties. Pursuant to subscription agreements I, II and III, the Company agreed to issue and the independent third parties agreed to subscribe for the Company's convertible debentures with an aggregate principal amount of HK\$116,000,000, US\$85,500,000 (or approximately HK\$662,625,000) and US\$1,000,000 (or approximately HK\$7,750,000), respectively. The parties are entitled to convert the principal amount in whole or in part of the principal amount of the debentures into new ordinary shares of the Company, at a conversion price of the higher of (i) the average of the closing price of the shares of any three consecutive Trading Days within the sixty Trading Days immediately prior to the conversion date and (ii) the par value for the time being of the shares, and at any time between the issue date of the debentures and 31 December 2014. If the debentures are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. The debentures bear interests at 8% per annum payable quarterly on or before the fifth business day of January, April, July and October in each year until their settlement date.

The subscriptions were approved by the Company's shareholders at a special general meeting held on 1 April 2010. The subscriptions contemplated under subscription agreements I and III were completed on 14 April 2010 and 20 April 2010, respectively.

For subscription agreement II, the Company has received a partial payment HK\$88,700,000 on 21 April 2010 and entered into a supplemental agreement with the subscriber to extend the completion date to 21 October 2010. On 21 October 2010, the Company further entered into another supplemental agreement with the subscriber to extend the completion date to 21 October 2011.

Up to 21 October 2011, which is the completion date under the second supplemental agreement, the Company had received subscription monies in the aggregate amount of HK\$207,500,000. Subscription monies of HK\$455,125,000 remained unpaid and no more convertible notes will be issued to the subscriber under the agreement.

Details of the above are set out in the Company's circular dated 16 March 2010 and 7 December 2010, and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010, 23 April 2010, 18 October 2010, 21 October 2010, 2 November 2010 and 19 November 2010.

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

	<b>Unaudited</b> <b>30 June</b> <b>2013</b> <b>HK\$'000</b>	Audited 31 December 2012 <i>HK\$'000</i>
<b>Liability components</b>		
At the beginning of the period/year	86,933	86,165
Interest charged	3,762	7,872
Interest paid	(3,261)	(7,104)
Converted into ordinary shares of the Company	<u>(31,096)</u>	<u>–</u>
At end of the period/year	<u><b>56,338</b></u>	<u><b>86,933</b></u>
<b>Equity components</b>		
At the beginning of the period/year	6,235	6,235
Converted into ordinary shares of the Company	<u>(886)</u>	<u>–</u>
At end of the period/year	<u><b>5,349</b></u>	<u><b>6,235</b></u>

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

	<b>Unaudited</b> <b>30 June</b> <b>2013</b> <b>HK\$'000</b>	Audited 31 December 2012 <i>HK\$'000</i>
Within one year	–	–
More than one year but not more than five years	<u><b>56,338</b></u>	<u><b>86,933</b></u>
	<u><b>56,338</b></u>	<u><b>86,933</b></u>

The interests charged for the period for convertible debentures in respect of subscription agreements I, II and III are calculated by applying the effective interest rates of 9.16%, 9.55% and 11.92% (year ended 31 December 2012: 9.17%, 8.64% and 11.92%) respectively to the liability components since the convertible loans were issued.

The directors estimate the carrying value of the liability components approximates its fair value as at 30 June 2013.

**(15) Promissory note**

On 19 June 2013, the Group issued a promissory note with a principal amount of HK\$200,000,000 to Mr. Jay Chun, an executive director of the Company, as part of the consideration for the acquisition of certain patents and patents applications in relation to a betting terminal system in the United States of America. 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 account as follows: 4% within the first year, 3% within the second year, 2% within the third year and 1% within the fourth year.

	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
At the beginning of the period/year	–	68,336
At date of issue	<b>117,535</b>	–
Interest charged	<b>524</b>	2,591
Early redemption during the period/year	–	(70,927)
	<u>–</u>	<u>–</u>
At end of the period/year	<b><u>118,059</u></b>	<u>–</u>

The maturity of the promissory note is as follows:

	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
Within one year	–	–
More than one year but not more than five years	<b>118,059</b>	–
	<u>–</u>	<u>–</u>
	<b><u>118,059</u></b>	<u>–</u>

The promissory note is measured at amortised cost using the effective interest method with the effective interest rate at 14.21% per annum (year ended 31 December 2012: 12.29% per annum).

During the year ended 31 December 2012, the Group redeemed part of the promissory note with a principal amount of HK\$83,722,000. The loss on early redemption was the difference between the discounted repayment amount and the respective carrying amount at the date of redemption, which was HK\$70,927,000.



**(16) Share capital**

	Number of share of HK\$0.1 each '000	Number of share of HK\$0.001 each '000	Nominal value HK\$'000
<i>Authorised:</i>			
At 1 January 2013	10,000,000	–	1,000,000
Capital reorganisation ( <i>note</i> )	<u>(10,000,000)</u>	<u>1,000,000,000</u>	<u>–</u>
At 30 June 2013	<u>–</u>	<u>1,000,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>			
At 1 January 2013	2,841,445	–	284,144
Issue of shares on conversion of convertible loans	310,000	–	31,000
Capital reorganisation ( <i>note</i> )	(3,151,445)	315,145	(314,829)
Issue of new shares	<u>–</u>	<u>600,000</u>	<u>600</u>
At 30 June 2013	<u>–</u>	<u>915,145</u>	<u>915</u>

*Note:* Pursuant to the resolutions passed at the special general meeting held on 3 June 2013, the Company effected a capital reorganisation (“Capital Reorganisation”) which became effective on 19 June 2013 and involved (i) the consolidation of every ten shares with a par value of HK\$0.100 each into one consolidated share with a par value of HK\$1.000 each; (ii) the capital reduction to reduce the par value of each of the consolidated shares from HK\$1.000 to HK\$0.001 by cancellation of the paid-up capital to the extent of HK\$0.999 on each consolidated share; (iii) the share premium reduction; and (iv) the application of the credit arising from such capital reduction and share premium reduction of approximately HK\$630.8 million towards the special reserve of the Company.

**(17) Capital commitments**

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: Acquisition of property, plant and equipment	<u>6,685</u>	<u>18,780</u>
	<u>6,685</u>	<u>18,780</u>

## (18) 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 period:

	Directors		Unaudited Six months ended 30 June		Related parties	
	2013 HK\$'000	2012 HK\$'000	Associate 2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Consultancy fee paid to (note a & b)	-	-	-	-	-	258
Salaries and other benefits paid to (note b & e)	-	-	-	-	1,802	1,205
	<b>Unaudited 30 June 2013 HK\$'000</b>	<b>Audited 31 December 2012 HK\$'000</b>	<b>Unaudited 30 June 2013 HK\$'000</b>	<b>Audited 31 December 2012 HK\$'000</b>	<b>Unaudited 30 June 2013 HK\$'000</b>	<b>Audited 31 December 2012 HK\$'000</b>
Amounts due from (note c & d)	-	-	6,113	9,689	-	-
Amounts due to (note c)	3,695	6,364	-	-	-	-

### Notes:

- The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
- The transactions were charged at predetermined amounts agreed between the parties involved.
- The amounts are unsecured, interest free and have no fixed term of repayment.
- Impairment of approximately HK\$67,000 (30 June 2012: HK\$15,000) has been made for the period for the amount due from an associate. The amount due from an associate was fully impaired.
- The related party is the spouse of a director, Mr. Jay Chun.

## (19) Events after the reporting period

On 10 August 2013, the Company entered into a subscription agreement with Silver Coast Holdings Limited, pursuant to which the Company agreed to issue 45,500,000 unlisted warrants at the issue price of HK\$0.03 per warrant to Silver Coast Holdings Limited. Each of the warrants carries the right to subscribe for one warrant share at HK\$1.30. For details of the transaction, please refer to the Company's announcement dated 11 August 2013.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

The Group continued to yield promising results for the first half of 2013. As a result of the strong performance of the gaming business in Macau, the Group recorded an encouraging growth in revenue by approximately 27.4% from HK\$318,103,000 for the six months ended 30 June 2012 to HK\$405,132,000 for the corresponding period in 2013. Profit of the Group decreased by approximately 14.1% from HK\$52,838,000 for the six months ended 30 June 2012 to HK\$45,375,000 for the corresponding period in 2013 due to the inclusion of the gain on disposal of the pharmaceutical business of HK\$21,093,000 last year. The Group achieved an EBITDA of approximately HK\$73,230,000. The basic earnings per share was HK\$12.27 cents, representing a decrease of approximately 26.5% as compared with HK\$16.70 cents for the corresponding period last year.

To further expand the business to the market of the United States of America (the “US”) where the number of casinos, demand for electronic gaming machines and the market for the gaming industry are larger than in Macau, in June 2013, the Group completed the acquisition of certain patents and patents applications in relation to a betting terminal system in the US and also completed the capital reorganisation of the Group. The Directors believe that the transaction will allow the Group to open up the US market successfully and enlarge the Group’s income base, thereby providing growth potential for the Group in future.

Macau is the only city in China that permits casino gaming. The Group believes that the number of tourists visiting Macau will record a sustainable increase. Together with the resuming growth momentum in the gross revenue of major gaming equipment suppliers in the US as reported by Bloomberg, the gaming industry is expected to stay on a growth trend. Based on the above factors, the Group remains confident in the prospect of the gaming industry, and expects to have remarkable business growth.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2013, the Group’s finance lease, the liability components of convertible loans and promissory note stood at HK\$359,000, HK\$56,338,000 and HK\$118,059,000, respectively, of which HK\$112,000, nil and nil, respectively were payable within 12 months. Current liabilities of the Group decreased from HK\$104,205,000 to HK\$98,622,000, representing a decrease of approximately 5.4%. The Group’s total liabilities increased from HK\$204,242,000 to HK\$285,266,000, representing an increase of approximately 39.7%.

As at 30 June 2013, the cash on hand and available financial resources were sufficient for financing the 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 30 June 2013 was approximately 4.1% (31 December 2012: nil).

## **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 30 June 2013, a motor vehicle of the Group with net book value amounting to approximately HK\$391,000 (31 December 2012: HK\$458,000) was subject to charges for securing obligations under finance leases.

## **ORGANIZATION AND STAFF**

The Group had 354 staff (31 December 2012: 432) as at 30 June 2013. 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

### (i) Shares

As at 30 June 2013, 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares <sup>(1)</sup>	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	124,160	–	628,820,880	68.71%
	The Company	Interest of controlled corporation/ Corporate interest	628,696,720 <sup>(2)</sup>	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	26,097,580 <sup>(3)</sup>	–	26,097,580	2.85%

*Notes:*

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun, an executive Director.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.

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 2013.

## (ii) Share options

The following table discloses movements in the Company's share options during the six months ended 30 June 2013 granted under the old share option scheme which was adopted by the Company on 15 July 2002 and expired on 14 July 2007 and the existing share option scheme which was adopted by the Company on 30 July 2007:

### *Old Share Option Scheme*

There were no outstanding share options granted pursuant to the old share option scheme during the six months ended 30 June 2013.

### *Existing Share Option Scheme*

Number of share options	Date of share options granted	Exercisable period	Exercise price per share (adjusted)	Outstanding at beginning of the period (adjusted)	Granted during the period	Lapsed during the period	Outstanding at end of the period (adjusted)
<b>Category:</b>							
Employees	29.01.2011	29.01.2011 to 28.01.2016	HK\$1.00	3,300,000	–	–	3,300,000
<b>Category:</b>							
Consultants	29.01.2011	29.01.2011 to 28.01.2016	HK\$1.00	3,300,000	–	–	3,300,000
<b>Total</b>				<b>6,600,000</b>	<b>–</b>	<b>–</b>	<b>6,600,000</b>
Exercisable at the end of the period							6,600,000
Weighted average exercise price (HK\$)				1.00	–	–	1.00

*Note:* The number of shares to be issued upon exercise of the outstanding Share Options granted under the existing share option scheme has been adjusted with effect from 19 June 2013, the date of completion of capital reorganisation.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2013, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than Directors or chief executive of the Company, had an interest in the shares of the Company, which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Approximate percentage of interests
August Profit Investments Limited <sup>(2)</sup>	Corporate interest	628,696,720	68.70%

*Note:*

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) August Profit Investments Limited is wholly owned by Mr. Jay Chun, an executive Director.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any 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 by the Company 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 shares during the six months ended 30 June 2013.

## AUDIT COMMITTEE

The audit committee of the Company 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 consolidated financial statements for the six months ended 30 June 2013.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, save for the following deviations:

### **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, 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 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 Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the independent non-executive Directors 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 term of appointment will be reviewed when they are due for re-election.

### **Code Provision E.1.2**

Under this Code provision, the chairman of the board, the audit committee, remuneration committee, nomination committee and any other committee should attend the annual general meeting.

The annual general meeting of the Company held on 28 June 2013 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder, instead of Mr. Jay Chun or the chairman of the audit committee, remuneration committee, nomination committee or any other committee. Mr. Jay Chun and the chairman of the audit committee, remuneration committee, nomination committee were unable to attend the annual general meeting as they were 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 2013.

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

Hong Kong, 29 August 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.*