



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

2011

Interim Report



** For identification purposes only*

RESULTS

The board of directors (the "Board") of Paradise Entertainment Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Notes	2011 HK\$'000	2010 HK\$'000
Turnover	3	253,940	170,590
Cost of sales and services		(126,266)	(113,244)
Gross profit		127,674	57,346
Other operating income		6,677	2,949
Marketing, selling and distribution costs		(41,261)	(40,931)
Research and development cost		(18)	–
Impairment loss for doubtful debts	4	(117)	(40)
Share-based payments		(3,787)	–
Administrative expenses		(55,705)	(44,247)
Profit (loss) from operations	5	33,463	(24,923)
Finance costs		(11,024)	(12,220)
Amortisation of intangible assets		(6,069)	–
Loss on early redemption of promissory note		(15,886)	–
Loss on derecognition of derivative financial instruments		–	(1,278)
Profit (loss) before tax		484	(38,421)
Income tax expenses	7	–	–
Profit (loss) for the period		484	(38,421)
Attributable to:			
Owners of the Company		484	(38,420)
Non-controlling interests		–	(1)
		484	(38,421)
Profit (loss) per share (HK cents)	8		
– Basic		0.02	(6.77)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit (loss) for the period	484	(38,421)
Other comprehensive income		
Net gain recognised directly in equity		
Exchange translation differences	1,658	817
Total comprehensive income for the period, net of tax	2,142	(37,604)
Total comprehensive income attributable to:		
Owners of the Company	2,141	(37,604)
Non-controlling interests	1	–
	2,142	(37,604)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Non-current assets			
Property, plant and equipment	9	150,356	158,706
Intangible assets	10	171,951	178,020
Interest in an associate		–	–
Deposit paid for acquisition of a subsidiary		7,800	7,800
		330,107	344,526
Current assets			
Inventories		7,065	151
Debtors, deposits and prepayments	11	58,201	44,782
Bank and cash balances		102,444	83,431
		167,710	128,364
Current liabilities			
Creditors and accrued charges	12	74,038	69,599
Amounts due to directors	18	1,809	2,141
Amount due to a related party	18	–	2,106
Other borrowings – due within one year		–	18,992
Obligations under finance leases – due within one year	13	3,896	4,781
Current tax liabilities		2,412	2,411
		82,155	100,030
Net current assets		85,555	28,334
Total assets less current liabilities		415,662	372,860

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Non-current liabilities			
Convertible loans – due after one year	14	84,625	129,178
Promissory note	15	101,557	119,472
Obligations under finance leases – due after one year	13	463	–
		186,645	248,650
Net assets		229,017	124,210
Capital and reserves			
Share capital	16	284,144	186,344
Reserves		(55,177)	(62,183)
Equity attributable to owners of the Company		228,967	124,161
Non-controlling interests		50	49
Total equity		229,017	124,210

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities	28,143	(24,072)
Net cash (used in) generated from investing activities	(4,903)	3,437
Net cash (used in) generated from financing activities	(6,259)	99,341
Net increase in cash and cash equivalents	16,981	78,706
Effect of foreign exchange rate changes	2,032	(235)
Cash and cash equivalents at beginning of the period	83,431	44,853
Cash and cash equivalents at end of the period	102,444	123,324
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	102,444	123,324

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2011

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	186,344	576,215	88,643	65,062	10,571	22,080	(824,754)	124,161	49	124,210
Profit for the period	-	-	-	-	-	-	484	484	-	484
Translation difference recognised directly in equity	-	-	-	-	-	1,657	-	1,657	1	1,658
Total comprehensive income for the period	-	-	-	-	-	1,657	484	2,141	1	2,142
Recognition of equity component of convertible loans	-	-	-	-	1,634	-	-	1,634	-	1,634
Issue of shares on conversion of convertible loans	97,800	5,414	-	-	(5,970)	-	-	97,244	-	97,244
Recognition of share-based payments	-	-	-	3,787	-	-	-	3,787	-	3,787
At 30 June 2011	284,144	581,629	88,643	68,849	6,235	23,737	(824,270)	228,967	50	229,017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For six months ended 30 June 2010

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	48,971	548,914	88,643	65,135	13,457	19,456	(752,892)	31,684	50
Loss for the period	-	-	-	-	-	-	(38,420)	(38,420)	(1)
Translation difference recognised directly in equity	-	-	-	-	-	816	-	816	1
Total comprehensive income for the period	-	-	-	-	-	816	(38,420)	(37,604)	-
Recognition of equity component of convertible loans	-	-	-	-	30,645	-	-	30,645	-
Issue of shares on conversion of convertible loans	35,373	28,170	-	-	(9,742)	-	-	53,801	-
Redemption of convertible loans	-	-	-	-	(9,885)	-	2,839	(7,046)	-
At 30 June 2010	84,344	577,084	88,643	65,135	24,475	20,272	(788,473)	71,480	50

NOTES:

(1) Basis of preparation

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

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

(2) Accounting policies

The accounting policies used in condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2010 with addition for the following amendments and interpretations which are relevant to the Group’s operation and are adopted for the first time by the Group for accounting period beginning 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

(2) Accounting policies (continued)

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurements ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (Revised in 2011)	Employee Benefits ⁴
HKAS 27 (Revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures 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

(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:

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

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

(3) Turnover and segment information (continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

		Unaudited Six months ended 30 June							
		Gaming		Biopharmaceutical		Others		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
Revenue from external customers		205,603	113,074	48,337	57,516	–	–	253,940	170,590
Segment results		47,404	(14,688)	(963)	523	238	850	46,679	(13,315)
Unallocated operating income								2,912	–
Unallocated corporate expenses								(16,128)	(11,608)
Finance costs								(11,024)	(12,220)
Amortisation of intangible assets								(6,069)	–
Loss on early redemption of promissory note								(15,886)	–
Loss on derecognition of derivative financial instruments								–	(1,278)
Profit (loss) before tax								484	(38,421)
Income tax expenses								–	–
Profit (loss) for the period								484	(38,421)

		Unaudited Six months ended 30 June							
		Gaming		Biopharmaceutical		Others		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information									
Capital expenditure		5,344	3,308	4	4	718	–	6,066	3,312
Depreciation		13,976	12,367	111	105	149	193	14,236	12,665

(4) Impairment loss for doubtful debts

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Impairment loss for amount due from an associate	117	40

(5) Profit (loss) from operations

Profit (loss) from operations has been arrived at after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Staff costs		
– Directors' remunerations (note 6)	3,234	3,349
– Other staffs		
– Salaries and other benefits	18,998	16,225
– Equity-settled share-based payments (note 19)	1,894	–
– Retirement benefit scheme contributions	371	336
Total staff costs	24,497	19,910
Consultancy fee		
– Equity-settled share-based payments (note 19)	1,894	–
– Others	967	2,024
	2,861	2,024
Depreciation of property, plant and equipment	14,236	12,665
Gain on disposal of property, plant and equipment	(953)	(2,697)
Operating lease rentals paid in respect of rented premises	2,652	2,582

(6) Directors' remunerations

The remunerations of directors during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK'000	HK'000
Directors' fees	180	180
Salaries and other benefits	2,394	2,437
Retirement benefit scheme contributions	12	12
Accommodation benefits	648	720
	3,234	3,349

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

(7) Income tax expenses

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

There is no movement in provision for deferred tax during the six months ended 30 June 2011. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(8) Profit (loss) per share

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK'000	HK'000
Profit (loss)		
Profit (loss) for the purpose of calculating basic profit (loss) per share	484	(38,420)

(8) Profit (loss) per share (continued)

	Unaudited	
	Six months ended 30 June	
Number of shares	2011	2010
Weighted average number of ordinary shares for the purposes of basic profit (loss) per share	2,504,903,342	567,246,796

The diluted profit (loss) per share for the six months ended 30 June 2011 and 2010 respectively have not been disclosed as the outstanding share options and convertible loans during both periods have an anti-dilutive effect on the basic profit (loss) per share for both periods.

(9) Property, plant and equipment

During the period, additions to the property, plant and equipment amounted to HK\$6.1 million, including HK\$3.3 million of gaming facilities and HK\$1.3 million of leasehold improvements.

(10) Intangible assets

There is no substantial movement in intangible assets during the six months ended 30 June 2011. The decrease in value of intangible assets represents amortisation of a patent regarding betting terminal system.

(11) Debtors, deposits and prepayments

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	29,494	23,798
31 – 60 days	4,364	4,420
61 – 90 days	3,394	952
	37,252	29,170
Other debtors, deposits and prepayments	20,949	15,612
	58,201	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.

As at 30 June 2011, other debtors, deposits and prepayments included a non-refundable earnest money of HK\$1,000,000 paid to Unique Hero Development Limited, the possible vendor in relation to a possible acquisition of 5% and up to 100% equity interest in Nam Kwong (Hong Kong) Investment Management Limited. The earnest money shall be applied to settle part of the consideration, if the acquisition proceeds. The earnest money shall not be refunded if the acquisition does not proceed. The acquisition has not been completed as to the date of this report.

(12) Creditors and accrued charges

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	5,895	6,236
31 – 60 days	4,295	4,098
61 – 90 days	2,284	1,456
91 – 365 days	2,602	12
More than 365 days	70	2
	15,146	11,804
Value added tax payable	8,837	8,768
Other creditors and accrued charges	50,055	49,027
	74,038	69,599

(13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within one year	3,931	4,781	3,896	4,781
More than one year, but not exceeding two years	526	–	463	–
	4,457	4,781	4,359	4,781
Less: Future finance charges	(98)	–	N/A	N/A
Present value of lease obligations	4,359	4,781	4,359	4,781
Less: Amounts due for settlement within one year (shown under current liabilities)			(3,896)	(4,781)
Amounts due for settlement after one year			463	–

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 the 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 in 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 the subscription agreements I and III were completed on 14 April 2010 and 20 April 2010, respectively.

For the subscription agreement II, the Company has received a partial payment of 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 a supplemental agreement with the subscriber to extend the completion date to 21 October 2011.

As at 30 June 2011, the Company has received an aggregate of HK\$207,500,000 subscription monies. There is still an outstanding of HK\$455,125,000 subscription monies remained unpaid pursuant to the subscription agreement II.

(14) Convertible Loans (continued)

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:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Liability components		
At the beginning of the period/year	129,178	66,214
Liability components at date of issue	52,366	243,360
Interest charged	4,670	20,524
Interest paid	(4,345)	(11,062)
Redemption during the period/year	–	(49,677)
Converted into ordinary shares of the Company	(97,244)	(140,181)
At end of the period/year	84,625	129,178
Equity components		
At the beginning of the period/year	10,571	13,457
Equity components at date of issue	1,634	31,492
Redemption during the period/year	–	(9,885)
Converted into ordinary shares of the Company	(5,970)	(24,493)
At end of the period/year	6,235	10,571

(14) Convertible Loans (continued)

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

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within one year	–	–
More than one year but not more than five years	84,625	129,178
	84,625	129,178

The interests charged for the period for convertible debentures in respect of subscription agreements I, II and III are calculated by applying effective interest rates of 9.57%, 9.17% 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 2011.

(15) Promissory note

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
At the beginning of the period/date of issue	119,472	150,714
Interest charged	6,199	5,532
Early redemption during the period/year	(24,114)	(36,774)
At end of the period/year	101,557	119,472

The maturity of the promissory note is as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within one year	–	–
More than one year but not more than five years	101,557	119,472
	101,557	119,472

The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 11.85% per annum.

During the period ended 30 June 2011, the Group repaid part of the principal amount of HK\$40,000,000. The loss on early redemption was the difference between the repaid amount and the respective carrying amount at the date of redemption totaling HK\$24,114,000.

(16) Share capital

	Number of shares '000	Nominal value HK\$'000
Share of HK\$0.10 each		
Authorised:		
At 1 January 2011 and 30 June 2011	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2011	1,863,445	186,344
Issue of shares on conversion of convertible loans	978,000	97,800
At 30 June 2011	2,841,445	284,144

(17) Capital commitments

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of a subsidiary	5,000	5,000
Acquisition of cash chips in hand	–	419
Acquisition of property, plant and equipment	6,606	4,614
	11,606	10,033

(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:

	Unaudited Six months ended 30 June					
	Directors		Associate		Related parties	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy fee paid to (notes a & b)	-	-	-	-	227	108
Salaries and other benefits paid to (notes b & e)	-	-	-	-	600	600
	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Amounts due from (notes c & d)	-	-	9,525	9,408	-	-
Amounts due to (notes c & e)	1,809	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 amounts are unsecured, interest free and have no fixed terms of repayment.
- (d) Approximately HK\$117,000 (30 June 2010: HK\$40,000) impairment has been made for the period for the amount due from an associate. The amount due from an associate was fully impaired.
- (e) The related party is the spouse of a director, Mr. Jay Chun.

(19) Equity-settled share-based payments

On 29 January 2011, 66,000,000 share options were granted by the Group to 2 consultants and 2 employees with fair value of HK\$1,893,500 and HK\$1,893,500 respectively.

The estimated fair value of share options granted during the period ended 30 June 2011 was determined using the Black-Scholes model. The fair value and significant inputs to the model are as follows:

Share option grant date 29 January 2011	
Fair value at the grant date	HK\$3,787,000
Number of share options granted	66,000,000
Closing share price preceding the grant date	HK\$0.098
Exercise price	HK\$0.100
Expected volatility	72.888%
Expected life	5 years
Risk free rate	1.76%
Expected dividend yield	–

Expected volatility was determined by calculating the historical volatility of the Company's share price over the 250 days immediate before each grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioral considerations. The risk-free rate is based on the annual yield of Hong Kong Exchange-Fund Note for corresponding expected life at the grant date.

The options have not been exercised as at the date of this report.

(20) Post balance sheet event

On 15 August 2011, Good Note International Limited ("Good Note"), a subsidiary of the Company entered into a supplemental agreement (the "Supplemental Agreement") with Unique Hero Development Limited, the possible vendor and Nam Kwong (Hong Kong) Investment Management Limited (the "Target") to extend the exclusivity period for a period of three months from the date of the Supplemental Agreement in relation to a possible acquisition of 5% and up to 100% equity interest in the Target. Good Note is not obliged to pay any further earnest money for such extension of the exclusivity period. Details of which are set out in the Company's announcements dated 7 February 2011 and 15 August 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

BUSINESS REVIEW AND PROSPECTS

TURNOVER AND PROFIT

The turnover of the Group for the six months ended 30 June 2011 increased from HK\$170.6 million to HK\$253.9 million, representing a period-to-period increase of approximately 48.9%. The increase in revenue was driven by strong performance in gaming business resulting from the rise in visitation to Macau. The Group reported a turn from a loss of HK\$38.4 million to a profit of HK\$0.5 million for the reporting period.

GAMING BUSINESS

During the first half of 2011, the Group experienced a significant improvement in the gaming business. We recorded a significant growth in gaming revenue. For the six months ended 30 June 2011, the turnover of the gaming business was HK\$205.6 million, compared to the figure for the last corresponding period of HK\$113.1 million, it represented an increase of approximately 81.8%.

BIOPHARMACEUTICAL BUSINESS

The medical reform in China has brought intense competition to the biopharmaceutical industry. For the six months ended 30 June 2011, the turnover of pharmaceutical business decreased from HK\$57.5 million to HK\$48.3 million, representing a period-to-period decrease of approximately 16.0%. The Group will take measures to expand its market and widen the spectrum of sales items so as to maintain stable growth of revenue.

PROSPECTS

The Group remains optimistic about the future of Macau's gaming industry. Macau is the only city in China that permits casino gaming. The Group believes that more tourists will visit Macau and it will contribute to a notable improvement in our performance in the coming years.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's finance leases, liability component of convertible loans and promissory note stood at HK\$4,359,000, HK\$84,625,000 and HK\$101,557,000, respectively, of which HK\$3,896,000, nil and nil, respectively were payable within 12 months. Current liabilities of the Group decreased from HK\$100,030,000 to HK\$82,155,000, representing a decrease of approximately 17.9%. The Group's total liabilities decreased from HK\$348,680,000 to HK\$268,800,000, representing a decrease of approximately 22.9%. The Group's total assets increased from HK\$472,890,000 to HK\$497,817,000. The percentage of total liabilities to total assets as at 30 June 2011 stood at approximately 54.0% which was much lower than that as at 31 December 2010 of approximately 73.7%.

As at 30 June 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, 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 30 June 2011, the assets of the Group which were subject to charges for securing obligations under finance leases comprised a motor vehicle acquired during the reporting period and gaming machines with net book value amounting to approximately HK\$660,000 (31 December 2010: nil) and HK\$5,902,000 (31 December 2010: HK\$5,460,000), respectively.

ORGANIZATION AND STAFF

As at 30 June 2011, the Group had 412 (31 December 2010: 420) staff in total. Majority of the staff are marketing and promotion executives located 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

(I) SHARES

As at 30 June 2011, 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) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	1,241,600	–	288,208,800	10.14%
	The Company	Interest of controlled corporation/ Corporate interest	286,967,200 ⁽²⁾	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	260,975,800 ⁽³⁾	–	260,975,800	9.18%

Notes:

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

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

- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2011.

(II) SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months ended 30 June 2011 under the Old Share Option Scheme and Existing Share Option Scheme:

Old Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
Category:	08.05.2007	08.05.2007 to	HK\$2.42	490,000	–	–	490,000
Employees		07.05.2012					
	08.05.2007	08.05.2008 to	HK\$2.42	550,000	–	–	550,000
		07.05.2012					
Category:	31.07.2006	31.07.2006 to	HK\$0.91	28,000,000	–	–	28,000,000
Consultants		30.07.2011					
	08.05.2007	08.05.2007 to	HK\$2.42	24,300,000	–	–	24,300,000
		07.05.2012					
Total				53,340,000	–	–	53,340,000
Exercisable at the end of the period							53,340,000
Weighted average exercise price (HK\$)				1.6273	–	–	1.6273

Existing Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
Category: Employees	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	3,600,000	-	-	3,600,000
	08.11.2007	08.11.2008 to 07.11.2012	HK\$2.12	200,000	-	-	200,000
	29.01.2011	29.01.2011 to 28.01.2016	HK\$0.10	-	33,000,000	-	33,000,000
Category: Consultants	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	22,800,000	-	-	22,800,000
	29.01.2011	29.01.2011 to 28.01.2016	HK\$0.10	-	33,000,000	-	33,000,000
Total				26,600,000	66,000,000	-	92,600,000
Exercisable at the end of the period							92,600,000
Weighted average exercise price (HK\$)				1.8020	0.1000	-	0.5890

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES" above, as at 30 June 2011, the Company had not been notified by any other person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, save for the following deviations:

CODE PROVISION A.2.1

Under this code provision, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

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

CODE PROVISION A.4.1

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

Currently, none of the independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, whether they are appointed for a specific term or not, are subject to retirement by rotation and re-election at least every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

CODE PROVISION E.1.2

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

The annual general meeting held on 2 June 2011 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder, instead of Mr. Jay Chun. Mr. Jay Chun did not attend the annual general meeting as he was engaged in other commitments of the Company.

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

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2011.

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

Hong Kong, 30 August 2011

As at the date of this report, 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.