PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

Annual Report 2012

* For identification purpose only

Contents

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

DIRECTORS

Mr. Jay CHUN *(Chairman and Managing Director)*
Mr. SHAN Shiyong, alias, SIN Sai Yung
Mr. HU Liming
Mr. Frank HU*
Mr. LI John Zongyang*
Mr. KUAN Hin Meng*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, CPA

SOLICITORS

DLA PIPER HONG KONG
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

PAN–CHINA (H.K.) CPA LIMITED
Certified Public Accountants
20/F., Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE

Unit C, 19/F.
Entertainment Building
30 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank Limited
Dah Sing Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

On behalf of the Board of Directors, I am delighted to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

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.

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
Jay Chun
Chairman and Managing Director

Hong Kong, 27 March 2013

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 48, Chairman and Managing Director of the Company, is a talented entrepreneur and manager. He has a solid background in information technology and marketing and over 22 years of management and investment experience. He holds a Master's degree in business administration from the W.P. Carey School of Business of the Arizona State University and a Bachelor's degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as the Managing Director of the Company in January 1999 and was subsequently appointed as the Chairman of the Board in July 2002.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 49, Executive Director and former Chairman of the Company, is an entrepreneur with strong business vision. After completing his studies in economics at the University of Agriculture, Shandong, he started his own business in manufacturing and export. Mr. Shan subsequently diversified to trading, property development and venture capital investment in China. He has over 25 years of dedicated business, investment and management experience at the owner level. Mr. Shan joined the Group and was appointed as an Executive Director in October 1998. He became the Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Mr. Hu Liming, aged 48, was appointed as an Executive Director on 30 November 2010. Mr. Hu is currently the Managing Director of Standind (Shanghai) Co. Ltd. and has over 22 years of experience in corporate management, business development as well as sales and marketing. Mr. Hu obtained his Bachelor's degree in engineering from Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 50, is a seasoned banker and businessman with over 25 years of experience. He holds a Bachelor's degree in politics from New York University and is currently an executive director of a European Bank in Hong Kong. He joined the Group in July 1999.

Mr. Li John Zongyang, aged 57, has rich and versatile background in the financial, business and corporate environment in the Asia–Pacific region. Before coming back to Asia, Mr. Li had worked for 10 years with Framlington Investment Management Company Limited, a leading investment management company in London, where he served as a Senior Fund Manager and the Head of the Asia Pacific region. Mr. Li had served as the Chief Executive Officer of several reputable companies. Mr. Li holds a Bachelor's degree in economics from Peking University and a Master's degree in business administration from Middlesex University Business School in London. Mr. Li joined the Group in September 2007.

Mr. Kuan Hin Meng, aged 54, is currently engaged in the trading of jewellery, pawn–broking and investment and has over 32 years of experience in investment and management. Mr. Kuan joined the Group in June 2010.

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 48, is the Group's Casino General Manager. Ms. Feng holds a Bachelor's degree in computer science from Shanghai University of Science and Technology. Ms. Feng started her own VIP Club business in 2006 and has extensive experience in managing gaming business. Ms. Feng is the spouse of Mr. Jay Chun and she joined the Group in 2006.

Ms. Zhao Yi, aged 35, is the Group's Marketing Director and Chief Operating Officer of the electronic gaming business. Ms. Zhao holds a Bachelor's degree in marketing from the Shanghai University of Finance and Economics. Ms. Zhao has more than 10 years of experience in marketing. Ms. Zhao joined the Group in 2007.

Ms. Ho Suet Man Stella, aged 41, is the Group's Chief Financial Officer and Company Secretary. Ms. Ho holds a Bachelor's degree in accountancy from the Hong Kong Polytechnic, now known as Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho has extensive years of experience in auditing, finance and company secretarial matters. Ms. Ho joined the Group in September 2007.

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the development, supply and sales of electronic gaming systems and the provision of casino management services.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 22 and 23.

The state of the Group's affairs as at 31 December 2012 is set out in the consolidated statement of financial position on pages 24 and 25.

DIVIDEND

No interim dividend was paid during the year ended 31 December 2012.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 26 and in note 28 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The board of directors of the Company (the "Board") during the year and up to the date of this report were:

Executive directors:

Mr. Jay Chun, Chairman and Managing Director (alternate director to Mr. Shan Shiyong)
Mr. Shan Shiyong, alias, Sin Sai Yung
Mr. Hu Liming

Independent non-executive directors:

Mr. Frank Hu
Mr. Li John Zongyang
Mr. Kuan Hin Meng

The biographical details of the Directors and senior management of the Group are set out on pages 5 and 6.

In accordance with the Company's Bye-Laws, Mr. Hu Liming and Mr. Kuan Hin Meng will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Hu Liming and Mr. Kuan Hin Meng does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considered them to be independent as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 30 July 2010, the Group entered into an agreement with Mr. Jay Chun, the Chairman and an executive Director, for the acquisition of a patent in relation to a betting terminal system at a consideration of HK$280,000,000, with (i) HK$30,000,000 satisfied in cash and (ii) HK$250,000,000 satisfied by the issue of a promissory note with a principal value of HK$250,000,000, the details of which are disclosed in notes 17 and 25 to the consolidated financial statements.

On 2 November 2012, the Group entered into another agreement with Mr. Jay Chun for the acquisition of several patents in the United States of America in relation to certain technological know-how applied in a computerized betting terminal system at a total consideration of HK$740,000,000, with (i) HK$60,000,000 to be satisfied in cash; (ii) HK$200,000,000 to be satisfied by the issue of a promissory note with a principal value of HK$200,000,000; and (iii) HK$480,000,000 to be satisfied by the issue of consideration shares. The details of the acquisition are disclosed in the Company's announcements dated 7 January 2013, 28 February 2013 and 18 March 2013.

Saved as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2012, 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 (the "Stock Exchange") 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:

Name of 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 (1)	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	1,241,600	–	288,208,800	10.14%
	The Company	Interest of controlled corporation	286,967,200 (2)	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	260,975,800 (3)	–	260,975,800	9.18%

Notes:

(1) All interests in shares stated above are of a par value of HK$0.10 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.

(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 corporations (within the meaning of Part XV of the SFO) as at 31 December 2012.

SHARE OPTIONS HELD BY DIRECTORS

The share option scheme of the Company adopted on 15 July 2002 (the "Old Share Option Scheme") expired on 14 July 2007. On 30 July 2007, the Company adopted a new share option scheme (the "Existing Share Option Scheme") as a result of the expiration of the Old Share Option Scheme.

Particulars of the Old Share Option Scheme and the Existing Share Option Scheme are set out in note 29 to the consolidated financial statements.

There were no outstanding options granted under the Old Share Option Scheme that were held by the existing Directors during the year.

Existing Share Option Scheme

No options were granted to the Directors under the Existing Share Option Scheme during the year.

Nil (2011: Nil) has been charged to the consolidated statement of comprehensive income in respect of the value of options granted to the Directors during the year.

As at the date of this report, the total number of options available for issue under the Existing Share Option Scheme is 284,144,477 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 2 June 2011.

For details of the options held by other participants, please refer to note 29 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options Held by Directors" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2012, so far as was known to the Directors, the interests and short positions of the persons or corporations, other than Directors and chief executive of the Company, in the shares or underlying shares of the Company which have been 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, were as follows:

Name	Total interests in shares (1)	Approximate percentage of interests
August Profit Investments Limited (2)	286,967,200	10.10%
Best Top Offshore Limited (3)	260,975,800	9.18%

Note:

(1) All interests in shares stated above are of a par value of HK$0.10 each and represent long positions.

(2) August Profit Investments Limited is wholly owned by Mr. Jay Chun, an executive director of the Company.

(3) Best Top Offshore Limited is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive director of the Company.

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any other person 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 96.2% of the Group's total turnover and the turnover attributable to the Group's largest customer represented approximately 82.5% of the Group's total turnover.

For the year ended 31 December 2012, the aggregate amount of cost of sales attributable to the Group's five largest suppliers accounted for approximately 84.0% of the Group's total cost of sales and the cost of sales attributable to the Group's largest supplier represented approximately 47.9% of the Group's total cost of sales.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

Other than the share option schemes disclosed under the section headed "Share Options Held by Directors", the Company had outstanding convertible loans during the year. For details of the convertible loans issued, please refer to note 24 to the consolidated financial statements. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2012.

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.

CONNECTED PARTY TRANSACTIONS

Some of the related party transactions set out in note 34 to the financial statements constituted "connected transactions" or "continuing connected transactions" within the meaning of the Listing Rules, however, such transactions are exempt from all the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules, except for the Group's acquisition of certain patents from Mr. Jay Chun (the Chairman and an executive Director), the details of which are set out under the section headed "Directors' Interests in Contracts of Significance". Such acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company made announcements on 7 January 2013, 28 February 2013 and 18 March 2013, in relation to, among other things, the acquisition; a circular will be despatched to the shareholders of the Company and a special general meeting will be convened in this regard in due course.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CORPORATE GOVERNANCE

In the opinion of 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 Listing Rules throughout the year ended 31 December 2012 except for certain deviations. For further information on the Company's corporate governance practices and details of the deviations, please refer to the Corporate Governance Report on pages 14 to 19.

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 (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, the Directors have confirmed that they had complied with the requirements set out in the Model Code during the year.

DONATIONS

Donations made by the Group during the year amounted to HK$556,000 (2011: Nil).

CHANGES OF DIRECTORS' INFORMATION

Below are the changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The remuneration payable to Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung, both of which are executive Directors, comprises basic salary and discretionary bonus. The basic salaries of Mr. Chun and Mr. Shan per annum have been increased from HK$2,268,000 and HK$2,400,000, respectively, to HK$12,000,000 and HK$12,000,000, respectively, since 1 April 2012.

There is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 2 November 2012, the Group entered into an agreement with Mr. Jay Chun, the Chairman and an executive Director, for the acquisition of several patents in the United States of America in relation to certain technological know-how applied in a computerized betting terminal system at a total consideration of HK$740,000,000, with (i) HK$60,000,000 to be satisfied in cash; (ii) HK$200,000,000 to be satisfied by the issue of a promissory note with a principal value of HK$200,000,000; and (iii) HK$480,000,000 to be satisfied by the issue of consideration shares. The details of the acquisition are disclosed in the Company's announcements dated 7 January 2013, 28 February 2013 and 18 March 2013.

The Board of Directors proposes to implement capital reorganisation of the Company, subject to approval of the shareholders of the Company. The Company had made announcements on 7 January 2013 and 28 February 2013 in relation to the proposed capital reorganisation. A circular will be despatched to the shareholders of the Company and a special general meeting will be convened in this regard in due course.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PAN-CHINA (H.K.) CPA LIMITED as the auditors of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 27 March 2013

In the opinion of the Board, the Company has complied with the code provisions as set out in the Code which was revised and took effect on 1 April 2012, as well as those of the former Code, throughout the year ended 31 December 2012 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they had fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including approving and monitoring of budgets, internal control and risk management, dividend payout, material transaction, preparation and release of financial information, appointment of Directors, and other significant financial and operational matters. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the Code.

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management who perform their duties under the leadership of the Managing Director.

As at 31 December 2012, the Board consisted of three executive Directors and three independent non-executive Directors.

During the year, the Board held only two regular meetings. The number of regular Board meetings held during the year fell short of 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.

The members of the Board and the attendance of each member at Board meetings and the annual general meeting held on 1 June 2012 are as follows:

	Number of attendance	
Directors	**Board meetings**	**Annual general meeting held on 1 June 2012**
Executive Directors		
Mr. Jay Chun *(Chairman and Managing Director)*	2/2	0/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/2	0/1
Mr. Hu Liming	0/2	0/1
Independent Non-executive Directors		
Mr. Frank Hu	2/2	0/1
Mr. Li John Zongyang	2/2	0/1
Mr. Kuan Hin Meng	0/2	0/1

Given the nature and business objective of the Company, the Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on page 5 of this annual report.

CHAIRMAN AND MANAGING DIRECTOR

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 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.

Pursuant to code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting and invite the chairman of the audit committee, remuneration committee and nomination committee to attend the annual general meeting. 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, the chairman of the audit committee, remuneration committee or nomination committee. Mr. Jay Chun and the chairman of the audit committee, remuneration committee and nomination committee were unable to attend the annual general meeting as they were engaged in other commitments of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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 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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors are continually updated on the latest development and changes in the Listing Rules, the Code and other regulatory requirements in order to ensure the compliance with the same by the Directors.

Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All Directors had provided a record of training they received during the year to the Company. According to the training records provided by the Directors, the training attended by them during the reporting period is summarized as follows:

Directors	Corporate Governance, Regulatory Development and Trainings on other relevant topics
Executive Directors	
Mr. Jay Chun	✓
Mr. Shan Shiyong, alias Sin Sai Yung	✓
Mr. Hu Liming	✓

Directors	Corporate Governance, Regulatory Development and Trainings on other relevant topics
Independent Non-executive Directors	
Mr. Frank Hu	✓
Mr. Li John Zongyang	✓
Mr. Kuan Hin Meng	✓

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibilities within the Group and their experience and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive Directors and senior management of the Company.

During the year, the Remuneration Committee held one meeting. Members of the Remuneration Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun	1/1
Independent Non-executive Directors	
Mr. Frank Hu *(Chairman)*	1/1
Mr. Kuan Hin Meng	0/1

During the year, the Remuneration Committee reviewed and determined the remuneration of the executive Directors.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 30 March 2012 with written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board regularly and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include identification and nomination of candidates to fill casual vacancies of Directors and succession planning for the Chairman. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors.

During the year, the Nomination Committee held one meeting to determine the nomination policy for the nomination of Directors. Members of the Nomination Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun *(Chairman)*	1/1
Independent Non-executive Directors	
Mr. Frank Hu	1/1
Mr. Li John Zongyang	0/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

During the year, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	Number of attendance
Independent Non-executive Directors	
Mr. Frank Hu *(Chairman)*	2/2
Mr. Li John Zongyang	2/2
Mr. Kuan Hin Meng	0/2

During the year, the Audit Committee had performed the following duties:

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 December 2011 and the unaudited interim financial statements for the six months ended 30 June 2012, with recommendations to the Board for approval;

– 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;

– reviewed reports on internal control system covering financial, operational and procedural compliance; and

– reviewed the compliance issues with the regulatory and statutory requirements.

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.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Group's external auditors is set out as follows:

Services rendered for the Group	HK$'000
Audit services	790
Non-audit services	400
Total	1,190

ACCOUNTABILITY

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended 30 June 2012 and for the year ended 31 December 2012, the Directors have adopted suitable accounting policies and applied them consistently. The financial statements for the year ended 31 December 2012 have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering financial, operational and procedural compliance. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Stock Exchange and the Company at "www.hkexnews.hk and "www.hk1180.com" after the relevant shareholders' meetings.

Shareholders of the Company may requisition special general meetings. According to bye-law 58 of the Company's Bye-Laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists may do so in accordance with the provisions of section 74 of the Companies Act 1981 of Bermuda.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the address of its principal office in Hong Kong, specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

Shareholders may also send written enquiries by post, together with his/her contact details, such as postal address, email or fax, to the principal office of the Company in Hong Kong at Unit C, 19/F, Entertainment Building, 30 Queen's Road Central, Hong Kong.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the reporting period, no amendment had been made to the Memorandum of Association and Bye-Laws of the Company.

Independent Auditors' Report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants

天健(香港)會計師事務所有限公司

TO THE SHAREHOLDERS OF PARADISE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 81, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Chan Kin Wai
Practicing Certificate Number P05342

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Hong Kong S.A.R., China

27 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	7	**728,954**	464,582
Cost of sales and services		**(244,764)**	(180,108)
Gross profit		**484,190**	284,474
Other income	8	**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	9	**(10,495)**	(19,141)
Amortisation for intangible assets	17	**(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	10	**(26,206)**	–
Profit for the year from continuing operations		**122,216**	38,169
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	11	**21,093**	1,167
Profit for the year	12	**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)	15		
From continuing and discontinued operations			
– Basic		**4.46**	1.33
– Diluted		**3.61**	1.24

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000 (Restated)
Earnings per share (HK cents)	15		
From continuing operations			
– Basic		**3.72**	1.29
– Diluted		**3.04**	1.21
Profit for the year	12	**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	16	**152,146**	148,869
Intangible assets	17	**153,745**	165,883
Interest in an associate	18	**–**	–
		305,891	314,752
Current assets			
Inventories	19	**4,810**	200
Debtors, deposits and prepayments	20	**106,076**	61,033
Bank and cash balances	21	**196,169**	126,186
		307,055	187,419
Current liabilities			
Creditors and accrued charges	22	**84,327**	74,443
Amounts due to directors	34	**6,364**	2,567
Obligations under finance leases			
– due within one year	23	**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 HK$'000	2011 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	23	**304**	412
Convertible loans – due after one year	24	**86,933**	86,165
Promissory note	25	**–**	68,336
Deferred tax liabilities	26	**12,800**	–
		100,037	154,913
Net assets		**408,704**	266,463
Capital and reserves			
Share capital	27	**284,144**	284,144
Reserves	28	**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

The consolidated financial statements on pages 22 to 81 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

JAY CHUN
Director

FRANK HU
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Convertible loans reserve HK$'000	Option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	186,344	576,215	88,643	10,571	65,062	22,080	(824,754)	124,161	49	124,210
Total comprehensive income	–	–	–	–	–	343	35,543	35,886	3,702	39,588
Recognition of share-based payments	–	–	–	–	3,787	–	–	3,787	–	3,787
Transfer of share option reserve upon the lapse of share options	–	–	–	–	(11,008)	–	11,008	–	–	–
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
	97,800	5,414	–	(4,336)	(7,221)	343	46,551	138,551	3,702	142,253
At 31 December 2011	284,144	581,629	88,643	6,235	57,841	22,423	(778,203)	262,712	3,751	266,463
At 1 January 2012	**284,144**	**581,629**	**88,643**	**6,235**	**57,841**	**22,423**	**(778,203)**	**262,712**	**3,751**	**266,463**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**86**	**126,698**	**126,784**	**16,608**	**143,392**
Transfer of share option reserve upon the lapse of share options	**-**	**-**	**-**	**-**	**(54,054)**	**-**	**54,054**	**-**	**-**	**-**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**(1,252)**	**-**	**(1,252)**	**101**	**(1,151)**
	-	**-**	**-**	**-**	**(54,054)**	**(1,166)**	**180,752**	**125,532**	**16,709**	**142,241**
At 31 December 2012	**284,144**	**581,629**	**88,643**	**6,235**	**3,787**	**21,257**	**(597,451)**	**388,244**	**20,460**	**408,704**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax:		
From continuing operations	**148,422**	38,169
From discontinued operation	**21,093**	1,167
	169,515	39,336
Adjustments for:		
Finance costs	**10,495**	19,141
Bank interest income	**(2)**	(9)
Amortisation for intangible assets	**12,138**	12,137
Loss on early redemption of promissory note	**12,795**	27,484
Impairment loss for amount due from an associate	**82**	199
Depreciation of property, plant and equipment	**28,219**	28,563
Loss (gain) on disposal of property, plant and equipment	**34**	(1,366)
Gain on disposal of the Disposed Group	**(20,908)**	–
Provision for bad debts	**389**	–
Waiver of other borrowing and payables	**–**	(4,986)
Equity-settled employee benefits	**–**	1,894
Equity-settled consultancy fees	**–**	1,893
Operating cash flows before movements in working capital	**212,757**	124,286
Increase in inventories	**(4,769)**	(44)
Increase in debtors, deposits and prepayments	**(57,517)**	(7,953)
Increase in creditors and accrued charges	**44,972**	4,225
Cash generated from operations	**195,443**	120,514
Income taxes paid	**(18)**	(55)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**195,425**	120,459
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(32,351)**	(19,047)
Proceeds from disposal of property, plant and equipment	**–**	1,740
Net cash disposed of Disposed Group	**(2,441)**	–
Interest received	**2**	9
NET CASH USED IN INVESTING ACTIVITIES	**(34,790)**	(17,298)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of convertible loans	–	42,000
Interest paid	(7,104)	(12,998)
Repayment of obligations under finance leases	(1,318)	(3,051)
Redemption of promissory note	(83,722)	(87,800)
Interest in amounts due to directors	1,447	408
Interest paid on obligations under finance leases	(32)	(18)
NET CASH USED IN FINANCING ACTIVITIES	(90,729)	(61,459)
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,906	41,702
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	126,186	83,431
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	77	1,053
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	196,169	126,186
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	196,169	126,186

1. GENERAL

Paradise Entertainment Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

The Company is an investment holding company. The principal activities of the Company's associate and subsidiaries (together with the Company, collectively referred to as the "Group") are set out in notes 18 and 35 respectively.

In respect of the Group's operating subsidiaries established in the People's Republic of China (the "PRC") and engaged in the research, development and sales of biopharmaceutical products which was disposed of during the year, the functional currency is Renminbi ("RMB"). In respect of the Group's operating subsidiaries established in Macau and engaged in the provision of management services, development, provision and sales of electronic gaming system, the functional currency is Macau Pataca ("MOP"). The functional currency of the Company and the other subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Hong Kong dollars.

2. 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) 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.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the shareholders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses.

(d) Investments in associates

An associate is an entity over which the Group or Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in associates (Continued)

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

Revenue from the sales of goods is recognised when the goods are delivered and the title has passed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

(h) Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each of the reporting periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the settlement of monetary items, and from the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising from the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss for the period in which the foreign operation is disposed of.

(j) Borrowing costs

Borrowing costs are expensed in the consolidated statement of comprehensive income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(k) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

(n) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held for trading.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling it in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

At the end of each of the reporting periods subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each of the reporting periods subsequent to initial recognition, loans and receivables (including debtors and deposits and bank and cash balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each of the reporting periods. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For all of the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment which is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including creditors and accrued charges, amounts due to directors, amount due to a related party, other borrowings, obligations under finance leases, convertible loans and promissory note are subsequently measured at amortised cost, using the effective interest method.

Convertible loans

Convertible loans issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible loans into equity, is included in equity (convertible loans reserve).

In subsequent periods, the liability component of the convertible loans is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loans reserve until the embedded option is exercised (in which case the balance stated in convertible loans reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loans reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loans are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loans using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each of the reporting periods. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (option reserve).

At the end of each of the reporting periods, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to option reserve.

At the time when the share options are exercised, the amount previously recognised in option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options granted in exchange for services are measured at the fair values of the goods or services received. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (option reserve), when the counterparties render the services, unless the services qualify for recognition as assets.

(q) Impairment losses on tangible and intangible assets

At the end of each of the reporting periods, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(r) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies: (Continued)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimate is 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated useful lives and impairment loss for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of comprehensive income.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Impairment loss for intangible assets

In connection with the carrying amount of intangible assets, the Group performs ongoing evaluation of the status of the underlying drug projects concerned. Sensitivity analysis has been carried out on its assumptions regarding future market shares and anticipated margins on these drugs and gaming projects independently and the Group believes that adequate provision for impairment was made on the carrying amount of intangible assets. The situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

(c) Impairment loss for debtors

The policy for making impairment loss on debtors of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

(d) Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's option reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(e) Measurement of promissory note

On issue of promissory note, the fair value is determined using a market rate for an equivalent loan and this amount is carried at amortised cost until extinguished on redemption or cancellation.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of convertible loans as disclosed in note 24, bank and cash balances and equity of the Company, comprising issued share capital disclosed in note 27 and reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as make new borrowings or repayment of existing borrowings. The Group's approach to capital management remained unchanged throughout the year.

6. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

The Group's major financial instruments include debtors and deposits; bank and cash balances; creditors and accrued charges; amounts due to directors; obligations under finance leases and convertible loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(a) Currency risk

Currency risk refers to the risk that movement in foreign currency rate will affect the Group's financial results and its cash flow. The management considers the Group is not exposed to significant foreign currency risk as the majority of its operations and transactions are denominated in the functional currencies of the group entity. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, obligations under finance leases and convertible loans. The bank deposits bear interests at variable rates depending on the prevailing market condition. The obligations under finance leases and convertible loans bear interests at fixed rates and therefore expose the Group to fair value interest rate risks.

The Group's result is not sensitive to changes in interest rate as the Group's obligations under finance leases and convertible loans are at fixed interest rates and the interest income generated from bank deposits is insignificant.

Credit risk

The carrying amounts of debtors and deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit quality of the counterparties in respect of debtors and deposits, is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the PRC large state-controlled banks.

6. FINANCIAL RISK MANAGEMENT (Continued)

A. Financial risk, management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2012						
Creditors and accrued charges	–	84,327	–	–	84,327	84,327
Amounts due to directors	–	6,364	–	–	6,364	6,364
Obligations under finance leases	6.54%	132	132	197	461	412
Convertible loans	9.04%	7,086	95,838	–	102,924	86,933
		97,909	95,970	197	194,076	178,036
At 31 December 2011						
Creditors and accrued charges	–	74,443	–	–	74,443	74,443
Amounts due to directors	–	2,567	–	–	2,567	2,567
Obligations under finance leases	1.93%	1,350	132	329	1,811	1,730
Convertible loans	9.05%	7,104	7,104	95,856	110,064	86,165
Promissory note	9.63%	–	–	88,950	88,950	68,336
		85,464	7,236	185,135	277,835	233,241

6. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

– the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The carrying amounts of financial assets and financial liabilities (excluding liability component of convertible loans) reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The directors consider that the carrying amounts of liability component of convertible loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the borrowing rate currently available for convertible loans with similar terms and maturities.

C. Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loan and receivables		
– debtors and deposits	**101,821**	60,492
– bank and cash balances	**196,169**	126,186
	297,990	186,678
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**84,327**	74,443
– amounts due to directors	**6,364**	2,567
– obligations under finance leases	**412**	1,730
– promissory note	**–**	68,336
– convertible loans	**86,933**	86,165
	178,036	233,241

7. 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 HK$'000	Others HK$'000	Sub-total HK$'000	Biopharmaceutical HK$'000	Total 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

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2012

	Continuing operations			Discontinued operation	
	Gaming HK$'000	Others HK$'000	Sub-total HK$'000	Biopharmaceutical HK$'000	Total HK$'000
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

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2011

	Continuing operations			Discontinued operation	
	Gaming HK$'000 (Restated)	Others HK$'000 (Restated)	Sub-total HK$'000 (Restated)	Biophar-maceutical HK$'000 (Restated)	Total HK$'000 (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

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2011

	Continuing operations			Discontinued operation	
	Gaming HK$'000 (Restated)	Others HK$'000 (Restated)	Sub-total HK$'000 (Restated)	Biophar-maceutical HK$'000 (Restated)	Total HK$'000 (Restated)
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 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'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

8. OTHER INCOME

	2012 HK$'000	2011 HK$'000 (Restated)
Waiver of other borrowing and payables	–	4,986
Bank interest income	2	1
Gain on disposal of property, plant and equipment	–	1,366
Rental income	949	720
Net exchange gains	255	204
Sundry income	780	400
	1,986	7,677

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'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 24)	7,872	9,788
Promissory note (note 25)	2,591	9,180
	10,495	19,141

10. 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.

10. INCOME TAX EXPENSES (Continued)

(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 **HK$'000**	2011 HK$'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 **HK$'000**	2011 HK$'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**	–

11. 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$20,908,000 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 **HK$'000**	2011 HK$'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

11. DISCONTINUED OPERATION (Continued)

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 HK$'000	2011 HK$'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 HK$'000	2011 HK$'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 (note 13)	**–**	–
– Other staff		
– Salaries and other benefits	**179**	699
– Retirement benefits scheme contributions	**42**	214
Total staff costs	**221**	913

12. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'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 (note 13)	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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2012

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Jay Chun	–	10,792	1,669	12	12,473
Mr. Shan Shiong, alias, Sin Sai Yung	–	10,725	–	14	10,739
Mr. Hu Liming	–	120	–	–	120
Independent non-executive directors					
Mr. Frank Hu	120	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	120
Mr. Kuan Hin Meng	120	–	–	–	120
Total	360	21,637	1,669	26	23,692

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Year ended 31 December 2011

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Jay Chun	–	2,457	1,302	12	3,771
Mr. Shan Shiong, alias, Sin Sai Yung	–	2,600	–	12	2,612
Mr. Hu Liming	–	120	–	–	120
Independent non–executive directors					
Mr. Frank Hu	120	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	120
Mr. Kuan Hin Meng	120	–	–	–	120
Total	360	5,177	1,302	24	6,863

No director waived or agreed to waive any emoluments during the two years ended 31 December 2012 and 2011.

Employees' emoluments

The five highest paid individuals in the Group during the year included two (2011: two) directors whose emoluments are reflected in the analysis presented above. The remaining three (2011: three) individuals, include three (2011: one) senior management personnel, whose emoluments are set out below:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**6,778**	2,721
Retirement benefit scheme contributions	**14**	12
	6,792	2,733

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments (Continued)

Their emoluments were within the following band:

	2012 Number of Individuals	2011 Number of Individuals
HK$0 to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	–

During the two years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

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

15. EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'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

15. EARNINGS PER SHARE (Continued)

	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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2011	118,861	120,496	27,048	4,825	271,230
Additions	4,737	10,810	2,829	671	19,047
Disposals	–	(1,378)	(2)	(1,689)	(3,069)
Exchange realignment	135	1,747	48	72	2,002
At 31 December 2011	123,733	131,675	29,923	3,879	289,210
Additions	7,822	22,871	1,542	116	32,351
Disposals	–	–	(213)	–	(213)
Disposals of subsidiaries	(2,796)	(39,394)	(875)	(1,616)	(44,681)
Exchange realignment	6	43	6	2	57
At 31 December 2012	128,765	115,195	30,383	2,381	276,724
Depreciation and impairment loss					
At 1 January 2011	21,677	81,467	5,480	3,900	112,524
Provided for the year	8,992	16,912	2,231	428	28,563
Disposals	–	(1,172)	(1)	(1,523)	(2,696)
Exchange realignment	124	1,741	34	51	1,950
At 31 December 2011	30,793	98,948	7,744	2,856	140,341
Provided for the year	9,930	15,611	2,496	182	28,219
Disposals	–	–	(180)	–	(180)
Disposals of subsidiaries	(2,642)	(39,286)	(698)	(1,227)	(43,853)
Exchange realignment	5	43	2	1	51
At 31 December 2012	38,086	75,316	9,364	1,812	124,578
Carrying values					
At 31 December 2012	90,679	39,879	21,019	569	152,146
At 31 December 2011	92,940	32,727	22,179	1,023	148,869

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis, at the following rates per annum:

Leasehold improvements	20% or over the remaining terms of the leases
Plant and machinery	10-20%
Furniture, fixtures and office equipment	15-20%
Motor vehicles	10-20%

As at 31 December 2012, the gaming machines of the Group which were subject to charges for securing obligations under finance leases had net book value of nil (2011: HK$4,633,000). As at 31 December 2012, motor vehicles of the Group which were subject to charges for securing obligations under finance leases had net book value of HK$458,000 (2011: HK$592,000).

17. INTANGIBLE ASSETS

	Patents-Biopharmaceutical 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.

17. INTANGIBLE ASSETS (Continued)

(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 25) 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.

18. INTEREST IN AN ASSOCIATE

	2012 **HK$'000**	2011 HK$'000
Cost of investment in an associate, unlisted	**21,672**	21,672
Share of post-acquisition losses and reserves	**(21,672)**	(21,672)
	–	–
Amount due from an associate	**9,689**	9,607
	9,689	9,607
Less: Impairment loss for amount due from an associate	**(9,689)**	(9,607)
	–	–

18. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the Group's associate as at 31 December 2012 are as follows:

Name of associate	Form of business structure	Place of incorporation	Principal place of operation	Issued and fully paid share capital	Proportion of ownership interest	Principal activities
LT3000 Online Limited	Incorporated	British Virgin Islands	Hong Kong	3,023,314 ordinary shares of US$0.1 each	47.47%	Development and trading of computer hardware and software and provision of business consultancy services

The amount due from an associate is unsecured, interest-free and has no fixed term of repayment.

Summarised financial information in respect of the Group's associate is set out below:

	2012	2011
	HK$'000	HK$'000
At 31 December		
Total assets	**3,267**	3,365
Total liabilities	**(11,740)**	(11,573)
Net liabilities	**(8,473)**	(8,208)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**–**	2
Total loss for the year	**(120)**	(175)

The Group has not recognised loss for the year amounting to approximately HK$56,000 (2011: HK$82,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,261,000 (2011: HK$2,205,000).

19. INVENTORIES

	2012 HK$'000	2011 HK$'000
Trading goods	**4,810**	200

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'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 industry practice in Macau and the biopharmaceutical industry practice in 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 HK$'000	2011 HK$'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

21. BANK AND CASH BALANCES

	2012 **HK$'000**	2011 HK$'000
Cash at bank (note)	**51,687**	26,752
Cash chips in hand	**106,314**	47,354
Cash in hand	**38,168**	52,080
	196,169	126,186

Note: The bank balances carry interest at prevailing market rate for both years.

As at 31 December 2012, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$537,000 (2011: HK$2,614,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

22. CREDITORS AND ACCRUED CHARGES

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

	2012 **HK$'000**	2011 HK$'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

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**132**	1,350	**108**	1,318
More than one year, but not exceeding two years	**132**	132	**116**	100
More than two year, but not exceeding five years	**197**	329	**188**	312
	461	1,811	**412**	1,730
Less: Future finance charges	**(49)**	(81)	**–**	–
Present value of lease obligations	**412**	1,730	**412**	1,730
Less: Amounts due for settlement within one year (shown under current liabilities)			**(108)**	(1,318)
Amounts due for settlement after one year			**304**	412

It was the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years (2011: 5 years) and interest rates are fixed at the contract dates.

It was the Group's policy to lease certain of its gaming machines under finance leases and the average lease term was 2 years (2011: 2 years). The Group has to pay the lessors based on the gaming wins according to the lease agreements and at the end of the lease term, the Group has the option to acquire the gaming machines at the prices as set out in the lease agreements.

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.

24. CONVERTIBLE LOANS

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of HK$116,000,000 on 14 April 2010 ("CN1") to Edison International Inc. ("Edison"). Edison is entitled to convert the principal amount in whole or in part of HK$116,000,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the Shares, which is HK$0.10, and at any time between the date of issue of CN1 and 31 December 2014. If CN1 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN1 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. Details of CN1 are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010 and 21 April 2010.

Pursuant to a subscription agreement dated 20 January 2010, the Company agreed to issue convertible notes with principal value of US$85,500,000 (or approximately HK$662,625,000) on 21 April 2010 ("CN2") to Pioneer Link Associates Limited ("Pioneer Link"). Pioneer Link is entitled to convert the principal amount in whole or in part of HK$662,625,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the shares, which is HK$0.10, and at any time between the date of issue of CN2 and 31 December 2014. If CN2 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN2 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. Details of CN2 are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010 and 23 April 2010.

On 21 April 2010, the Company received a partial payment of HK$88,700,000 for CN2. Pioneer Link failed to complete the subscription agreement on or before the intended completion date of 21 April 2010. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2010.

Up to 21 October 2010, the Company had received an aggregate amount of HK$138,500,000 representing partial payment of the consideration for CN2. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2011. Up to 19 November 2010, the Company had received an aggregate amount of HK$153,500,000 representing partial payment of the consideration for CN2. Details are set out in the Company's announcements dated 21 October 2010, 2 November 2010 and 19 November 2010.

Up to 21 October 2011, the completion date of the supplemental agreement, the Company had received an aggregate amount of HK$207,500,000 representing partial payment of the consideration for CN2. Subscription monies of HK$455,125,000 remained unpaid by Pioneer Link and no new convertible notes will be issued thereto under the contract.

24. CONVERTIBLE LOANS (Continued)

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of US$1,000,000 (or approximately HK$7,750,000) on 20 April 2010 ("CN3") to Trueworthy Group Limited ("Trueworthy"). Trueworthy is entitled to convert the principal amount in whole or in part of HK$7,750,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the shares, which is HK$0.10, and at any time between the date of issue of CN3 and 31 December 2014. If CN3 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN3 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. Details of CN3 are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010 and 21 April 2010.

The fair values of the debt element and the conversion options element of CN1, CN2 and CN3 are determined by the directors of the Company with reference to the valuation performed by Ample Appraisal Limited, an independent firm of professional valuers based on the discounted cash flow method.

The net proceeds received from the issue of CN1, CN2 and CN3 have been split into the liability components and equity components, as follows:

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Nominal values of convertible loans issued	116,000	207,500	7,752	331,252
Transaction costs	(2,050)	–	–	(2,050)
Equity components	(16,933)	(15,411)	(1,132)	(33,476)
Liability components at date of issue	97,017	192,089	6,620	295,726

The movement of liability components of the convertible loans for the two years ended 31 December 2012 and 2011 is set out below:

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Liability components at 1 January 2011	47,283	75,114	6,781	129,178
Liability components at date of issue	–	52,366	–	52,366
Interest charged (note 9)	3,262	5,701	825	9,788
Interest paid	(2,226)	(5,073)	(624)	(7,923)
Converted into ordinary shares of the Company	(25,091)	(72,153)	–	(97,244)
Liability components at 31December 2011 and 1 January 2012	23,228	55,955	6,982	86,165
Interest charged (note 9)	2,151	4,870	851	7,872
Interest paid	(1,920)	(4,560)	(624)	(7,104)
Liability components at 31 December 2012	23,459	56,265	7,209	86,933

The interests charged for the year for CN1, CN2 and CN3 are calculated by applying the effective interest rates of 9.17%, 8.64% and 11.92% (2011: 9.17%, 8.64% and 11.92%), respectively to the liability components.

25. 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, the Chairman and an executive director of the Company, as part of the consideration for the Group's 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 **HK$'000**	2011 HK$'000
At 1 January (note i)	**68,336**	119,472
Interest charged (note 9)	**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).

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Accelerated tax depreciation HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	–
Charged to the consolidated statement of comprehensive income	12,800
At 31 December 2012	12,800

At 31 December 2012, the Group had unused tax losses of approximately HK$57,415,000 (2011: HK$112,407,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately nil (2011: HK$54,990,000 that will expire from 2012 to 2013). Other losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At beginning of the year and end of the year	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**2,841,445**	1,863,445	**284,144**	186,344
Issue of shares on conversion of convertible loans (note 24)	**–**	978,000	**–**	97,800
At end of the year	**2,841,445**	2,841,445	**284,144**	284,144

28. RESERVES

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up for unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on the repurchase of shares.

(ii) Special reserve represents the aggregate of:

- The difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the share premium account of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996, and
- The effects of the capital reduction, share premium cancellation and elimination of accumulated losses, which took place in 1999.

(iii) Convertible loans reserve

The convertible loans reserve represents the value of the unexercised equity component of convertible loans issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in note 3(p).

(iv) Option reserve

The option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p).

28. RESERVES (Continued)

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(i).

29. SHARE-BASED PAYMENTS

Equity-settled share option schemes

Pursuant to the share option scheme adopted by the Company on 15 July 2002 (the "Old Scheme") the Company may grant options to the directors and employees of the Group; any supplier of goods or services to the Group; any customer of the Group; any adviser or consultant of the Group; any person or entity that provides research, development or other technological support to the Group; or any shareholders of the Group (collectively referred to as the "Eligible Participants"), at the exercise price determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date. Options granted under the Old Scheme may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant.

The Old Scheme expired on 14 July 2007 and was replaced by the existing share option scheme which was adopted by the Company on 30 July 2007 (the "New Scheme') for the purpose of providing incentives or rewards to the Eligible Participants for their contribution to the success of the Group's operations. All outstanding options granted under the Old Scheme continue to be valid and exercisable in accordance with the terms of the Old Scheme. The New Scheme will expire on 29 July 2017.

Initially, the total number of shares in respect of which options may be granted under the New Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2007, being the date of adoption of the New Scheme, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant in any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

29. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

The exercise price of the share options granted under the New Scheme is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company' shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the movements in the Company's share options during the year ended 31 December 2012 are as follows:

Old scheme

			Number of share options		
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2012	Lapsed during the year	Outstanding at 31 December 2012
Category: Employees					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	**440,000**	**(440,000)**	**–**
08.05.2007	08.05.2008 to 07.05.2012	2.4200	**450,000**	**(450,000)**	**–**
Category: Consultants					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	**24,300,000**	**(24,300,000)**	**–**
Total all categories			**25,190,000**	**(25,190,000)**	**–**
Exercisable at the end of the year					**–**
Weighted average exercise price (HK$)			**2.4200**	**2.4200**	**–**

29. SHARE-BASED PAYMENTS (Continued)

New scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2012	Lapsed during the year	Outstanding at 31 December 2012
Category: Employees					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	(3,600,000)	–
08.11.2007	08.11.2008 to 07.11.2012	2.1200	200,000	(200,000)	–
29.01.2011	29.01.2011 to 28.01.2016	0.1000	33,000,000	–	33,000,000
Category: Consultants					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	22,800,000	(22,800,000)	–
29.01.2011	29.01.2011 to 28.01.2016	0.1000	33,000,000	–	33,000,000
Total all categories			92,600,000	(26,600,000)	66,000,000
Exercisable at the end of the year					66,600,000
Weighted average exercise price (HK$)			0.5890	1.8024	0.1000

29. SHARE-BASED PAYMENTS (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2011 are as follows:

Old scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2011	Lapsed during the year	Outstanding at 31 December 2011
Category: Employees					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	490,000	(50,000)	440,000
08.05.2007	08.05.2008 to 07.05.2012	2.4200	550,000	(100,000)	450,000
Category: Consultants					
31.07.2006	31.07.2006 to 30.07.2011	0.9100	28,000,000	(28,000,000)	–
08.05.2007	08.05.2007 to 07.05.2012	2.4200	24,300,000	–	24,300,000
Total all categories			53,340,000	(28,150,000)	25,190,000
Exercisable at the end of the year					25,190,000
Weighted average exercise price (HK$)			1.6273	0.9180	2.4200

29. SHARE-BASED PAYMENTS (Continued)

New scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2011	Granted during the year	Lapsed during the year	Outstanding at 31 December 2011
Category: Employee						
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	–	–	3,600,000
08.11.2007	08.11.2008 to 07.11.2012	2.1200	200,000	–	–	200,000
29.01.2011	29.01.2011 to 28.01.2016	0.1000	–	33,000,000	–	33,000,000
Category: Consultants						
09.10.2007	09.10.2007 to 08.10.2012	1.8000	22,800,000	–	–	22,800,000
29.01.2011	29.01.2011 to 28.01.2016	0.1000	–	33,000,000	–	33,000,000
Total all categories			26,600,000	66,000,000	–	92,600,000
Exercisable at the end of the year						92,600,000
Weighted average exercise price (HK$)			1.8020	0.1000	–	0.5890

No share option granted was exercised during the two years ended 31 December 2012 and 2011.

The share options outstanding as at 31 December 2012 had a weighted average remaining contractual life of 3.08 years (2011: 2.54 years).

No equity settled employees benefit (including directors' emoluments) was recognised for the year ended 31 December 2012 (2011: HK$1,894,000).

Share options were granted to certain consultants pursuant to the consultancy agreements entered into between LifeTec (Holdings) Limited, and each of the consultants for a period of five years commencing from the respective dates of the consultancy agreements as consideration for the following services to be provided by these consultants:

(a) Identify potential strategic investors and financial investors for the Group;

(b) Assist the Group in negotiating with the potential strategic investors and financial investors;

(c) Provide consultancy services in relation to the development of the gaming business of the Group; and

(d) Carry out other duties as appropriate and as agreed with LifeTec (Holdings) Limited.

30. 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 report, 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.

31. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**7,241**	9,537
In the second to fifth year inclusive	**7,608**	1,454
	14,849	10,991

Leases relate to directors' quarters, warehouse facilities and office premises and are negotiated for average terms of one to five (2011: one to five) years.

32. CAPITAL COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**18,780**	11,927

33. RETIREMENT BENEFITS SCHEME

The Group operated a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Company contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the year ended 31 December 2012, the total retirement benefit scheme contributions charged to the consolidated statement of comprehensive income amounted to approximately HK$532,000 (2011: HK$749,000).

34. 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 (note d)	**6,364**	2,567	**–**	–	**–**	–

Notes:

(a) The related party is the son of Mr. Shan Shiyong, alias, Sin Sai Yung, an executive director of the Company.

(b) The transactions were charged at predetermined amounts agreed between the parties involved.

(c) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive director of the Company.

(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 as set out in note 12.

(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 America. Details are set out in note 36(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

Further details of directors' remuneration are included in note 13.

35. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Asset Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Inactive
Bright View Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Central Jade Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
CTI Limited	Hong Kong	HK$10	Ordinary	70%	–	70%	Inactive
Dream World Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Elite Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Fairy Host Limited	British Virgin Islands	US$1	Ordinary	82%	–	100%	Inactive
Good Note International Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Grant Future Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Great Fun Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	100%	–	100%	Inactive
Huge Rise Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Joy Union Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Provision of management and consulting services
LifeTec (Holdings) Limited	British Virgin Islands	HK$141,176	Ordinary	100%	100%	–	Investment holding
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
LT Cleaning Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Cosmos Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Finance Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Game Limited	British Virgin Islands	US$5,000	Ordinary	82%	–	82%	Development, supply and sales of electronic gaming systems
LT Game (Canada) Limited	Canada	CAD100	Ordinary	100%	–	100%	Inactive
LT Game Pachinko Limited	British Virgin Islands	US$1	Ordinary	82%	–	100%	Inactive
LT Global Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Harvest Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Legend Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	100%	–	100%	Provision of management service and operation of electronic gaming system
LT Mart Gift Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Union Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Luck Access Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Natural Noble Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Acquisition of patent
Shenzhen Caijing Software Technology Co., Ltd (note a)	PRC	RMB500,000	Registered capital	100%	–	100%	Inactive
Solution Champion Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Sunny Link Trading Limited	Hong Kong	HK$2	Ordinary	100%	–	100%	General trading
Super Satisfaction Limited	British Virgin Islands	US$1	Ordinary	82%	–	100%	Inactive
Tech (Macau) Limited	Macau	MOP25,000	Ordinary	82%	–	100%	Inactive
Top General Renovation and Decoration Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Top Growth Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Top Ocean Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Well Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	100%	–	100%	Inactive
Zhuhai Caijing Software Technology Co., Ltd (note a)	PRC	RMB500,000	Registered capital	100%	–	100%	Inactive

Notes:

(a) The subsidiaries are established in the PRC as wholly owned foreign enterprises.

(b) Apart from Zhuhai Caijing Software Technology Co., Ltd. and Shenzhen Caijing Software Technology Co., Ltd. which carry out their principal activities in the PRC; LT Game (Canada) Limited which carries out its principal activities in Canada; and subsidiaries incorporated in Macau which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

36. 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") and proposes to reorganise the share capital of the Company (the "Capital Reorganisation"). As at the date of this report, the Acquisition and the Capital Reorganisation were 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 report, the Company, LT Game and Natural Noble have filed their opposition to the Injunction. Details are set out in note 30(b).

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current assets		
Interests in subsidiaries	**478,017**	377,331
Current assets		
Prepayments	**437**	146
Bank and cash balances	**28**	24
	465	170
Current liabilities		
Other creditors and accrued charges	**4,753**	2,042
Amounts due to directors	**678**	798
	5,431	2,840
Net current liabilities	**(4,966)**	(2,670)
Total assets less current liabilities	**473,051**	374,661
Non-current liabilities		
Convertible loans – due after one year	**86,933**	86,165
Net assets	**386,118**	288,496
Capital and reserves		
Share capital	**284,144**	284,144
Reserves	**101,974**	4,352
Total equity	**386,118**	288,496

Financial Summary

The summarized consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are set out below:

	For the year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
RESULTS					
CONTINUING OPERATIONS					
Turnover	94,927	200,821	267,174	464,582	**728,954**
Profit (loss) before tax	(78,713)	(41,328)	(74,375)	38,169	**148,422**
Income tax expenses	–	–	–	–	**(26,206)**
Profit (loss) for the year from continuing operations	(78,713)	(41,328)	(74,775)	38,169	**122,216**
DISCONTINUED OPERATION					
Profit (loss) for the year from discontinued operation	(20,728)	(125,911)	(400)	1,167	**21,093**
Profit (loss) for the year	(99,441)	(167,239)	(74,775)	39,336	**143,309**
Attributable to:					
Owners of the Company	(99,441)	(167,234)	(74,774)	35,543	**126,698**
Non-controlling interests	–	(5)	(1)	3,793	**16,611**
	(99,441)	(167,239)	(74,775)	39,336	**143,309**

ASSETS AND LIABILITIES

	At 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	390,200	239,646	472,890	502,171	**612,946**
Total liabilities	(230,729)	(207,912)	(348,680)	(235,708)	**(204,242)**
Total equity	159,471	31,734	124,210	266,463	**408,704**