Annual Report 2009

PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1180)

** For identification purposes only*

Contents

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

DIRECTORS

Mr. Jay CHUN *(Chairman and Managing Director)*
Mr. SHAN Shiyong, alias, SIN Sai Yung
Dr. MA Xianming, alias, MA Yin Ming
Mr. Frank HU*
Mr. LI John Zongyang*
Mr. HU Wenxiang*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, CPA

SOLICITORS

Vincent T.K. Cheung, Yap & Co.

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

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 audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

BUSINESS REVIEW

The year 2009 was an exciting year for the Group. We recorded a significant increase in revenue by 48.3% from approximately HK$219,329,000 for the year ended 31 December 2008 to approximately HK$325,224,000 for the year ended 31 December 2009. The increase in revenue was driven by strong performance in gaming business resulting from the rise in visitation to Macau. The Group's net loss increased by 68.2% from approximately HK$99,441,000 in 2008 to approximately HK$167,239,000 in 2009, mainly due to impairment charges made to certain assets of the biopharmaceutical business.

Gaming Business

The gaming market in Macau has experienced tremendous growth in the last few years. In 2009, we saw a considerable return of visitors to Macau after the easing of credit crunch and improvement of market sentiment especially in the second half of the year. Our devotion during the year in strengthening our business focus on gaming and entertainment in Macau have also effectively improved our operational efficiency.

Gaming revenue accounted for 61.7% of the Group's total revenue in the year 2009, as compared to 43.3% in 2008. The gaming revenue has seen very strong growth, from approximately HK$94,927,000 in 2008 to approximately HK$200,821,000 in 2009, representing an increase of 111.6%. Net loss of gaming business for the year narrowed from approximately HK$65,050,000 to approximately HK$4,455,000, as compared to last year.

We anticipate the number of visitors to Macau and Casino Kam Pek Paradise to surge in the forthcoming years. Given the positive economic outlook in China, the strong support from Macau SAR Government and Macau's geographical advantage, we expect a notable improvement in our performance in the coming years.

Biopharmaceutical Business

The revenue of biopharmaceutical business remained stable at approximately HK$124,403,000 for 2009 as compared to approximately HK$124,402,000 for 2008. Net loss increased from approximately HK$18,183,000 for 2008 to approximately HK$128,270,000 for 2009, mainly due to impairment charges being made.

While we have made commitments in the research and development of new drugs in the past few years, we experienced continued challenges in new medical development resulting from the change in market conditions and new drug developments in Mainland China. We have made impairment charges on the drugs which are expected to be less competitive in market and have much restricted usage together with the related assets to reposition our presence in biopharmaceutical business.

Prospects

The year 2010 is expected to be a rewarding year for the Group with more favourable economic environment and continued support from the government of the People's Republic of China. To cope with the growing casino patronage and expansion of our gaming business, we will open a club house to attract more casino goers with diverse offerings. We are well-positioned to compete favourably and benefit from the rising performance of the gaming industry in Macau. We expect the gaming business will be the key driver of our future revenue growth while the biopharmaceutical business will continue to contribute stable revenue.

Liquidity and Financial Resources

As at 31 December 2009, the Group's aggregate borrowings and finance leases stood at about HK$67,964,000 of which about HK$58,764,000 was payable within 12 months and about HK$9,200,000 was payable between 1 to 2 years. Current liabilities of the Group decreased from about HK$164,994,000 to about HK$132,498,000, representing a decrease of 19.7%. The net current liabilities of the Group decreased from about HK$56,038,000 as at 31 December 2008 to about HK$55,226,000 as at 31 December 2009. The Group's total liabilities as at 31 December 2009 amounted to about HK$207,912,000 (2008: HK$230,729,000) and total assets amounted to about HK$239,646,000 (2008: HK$390,200,000). Accordingly, the percentage of total liabilities to total assets as at 31 December 2009 stood at 86.8% which is higher than the corresponding figure of 59.1% as of 31 December 2008.

As at 31 December 2009, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Foreign Exchange Exposure

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

Charges on Group Assets

As at 31 December 2009, the assets of the Group which were subject to charges for securing obligations under finance leases comprised a motor vehicle with net book value amounting to approximately HK$348,000 (2008: HK$608,000).

Organization and Staff

The Group had about 305 (2008: 287) staff in total as at 31 December 2009. The majority of which included staff of gaming business in Macau and sales and marketing executives in China. The Group is actively seeking key personnel to join our sales and marketing teams in Macau as well as in China in order to cope with the rapid growing operations.

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

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, 26 April 2010

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 46, 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 19 years of management and investment experience. He holds a bachelor degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as Managing Director of the Company in January 1999 and subsequently appointed as Chairman of the Board in July 2002.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 47, 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 22 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 Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Dr. Ma Xianming, alias, Ma Yin Ming, aged 44, holds a doctoral degree in accounting as well as a bachelor and a master degree in economics from the Central South University. He is an accounting and financial expert and has been appointed as a member of the Auditing Standards Drafting Committee of the China Institute of Certified Public Accountants and as the leader of the Chinese Expert Advisory Group on accounting issues in connection with Asian Development Bank sponsored projects in China. He has also held senior financial positions in the commercial field and over 20 years of management and investment experience. He joined the Group as an Independent Non-executive Director in September 2001 and was re-designated as an Executive Director in August 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 48, is a seasoned banker and businessman with over 22 years of experience. He holds a bachelor 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. Hu had been the independent non-executive director of Wai Chun Mining Industry Group Limited (formerly known as Nority International Group Limited), a company listed on the Main Board of the Stock Exchange, from 25 May 2007 to 19 November 2008.

Mr. Li John Zongyang, aged 54, has rich and versatile background in the financial, business and corporate environment in the Asia pacific region. Before coming back to Asia, Mr. Li worked for 10 years with a leading investment management company in London, Framlington Investment Management Company Limited, 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 the Hong Kong-listed Kai Yuan Holdings Limited (Stock Code: 1215) from April 2007 to February 2008, the Chairman and Chief Executive Officer of Singapore-listed Auston International Group Limited from August 2005 to December 2006, the Chief Financial Officer and executive director of Singapore-listed Panpac Media Group Limited (now known as The Lexicon Group Limited) from April 2004 to May 2005, the Co-Chief Executive Officer of Nasdaq-quoted company Sun New Media Inc. (now known as Nextmart Inc.) from February 2006 to June 2006 and the Executive Director of London AIM-listed Sun 3C Media Plc. (now known as CEC Unet Plc.) from July 2006 to December 2006. Mr. Li holds a Bachelor degree in Economics from Peking University and a Master of Business Administration degree from Middlesex University Business School in London. Mr. Li joined the Group in September 2007.

Mr. Hu Wenxiang, aged 53, has over 21 years of experience in trading, management and investment. He has been the general manager and director of several trading companies and investment companies. Mr. Hu graduated from Qingdao University in the People's Republic of China. Mr. Hu joined the Company in November 2008.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zhu Weixiong, aged 54, is the Group's Associate Director of Sales and Marketing. Mr. Zhu has vast experience in the pharmaceutical industry. Having held senior executive positions in first-class establishments in China, Mr. Zhu has accumulated over 27 years' solid experience in the sales and marketing of pharmaceutical products. Before joining the Group, he was senior management of a number of sizeable pharmaceutical companies in China. Mr. Zhu joined the Group in June 2004.

Ms. Ho Suet Man Stella, aged 38, 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 many years of experience in auditing, finance and company secretarial matters. Ms. Ho joined the Group in September 2007.

The directors present their 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 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development and sale of biopharmaceutical products and provision of management service, development, provision and sales of electronic gaming systems.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 20.

The state of the Group's affairs at 31 December 2009 is set out in the consolidated statement of financial position on pages 22 and 23.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

CAPITAL REORGANISATION

At a special general meeting of the Company held on 29 September 2009, resolutions in respect of capital reorganisation were passed by way of poll. Capital reorganisation comprised (i) the share consolidation of every 10 shares of HK$0.01 each into 1 consolidated share of HK$0.10 and (ii) the increase of the authorised share capital of the Company. Immediately upon the capital reorganisation becoming effective, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each and 489,714,791 shares were in issue.

Immediately upon the capital reorganisation becoming effective, board lot size of the shares for trading on the Stock Exchange changed from 2,000 shares to 20,000 consolidated shares.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 34 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 24 and in note 35 to the consolidated financial statements.

CHANGE IN AUDITORS

Messrs. RSM Nelson Wheeler resigned as auditors of the Group with effect from 7 January 2009 and an ordinary resolution of appointment of SHINEWING (HK) CPA Limited ("SHINEWING") as auditors of the Company was duly passed by the shareholders of the Company at an extraordinary general meeting held on 13 February 2009. The consolidated financial statements for the year ended 31 December 2008 were audited by SHINEWING.

SHINEWING resigned as auditors of the Group with effect from 22 January 2010 and the Company appointed PAN-CHINA (H.K.) CPA LIMITED ("PAN-CHINA") as auditors of the Group to fill the casual vacancy arising from the resignation of SHINEWING until the conclusion of the Company's next annual general meeting. The consolidated financial statements for the year ended 31 December 2009 were audited by PAN-CHINA.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company 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)
Dr. Ma Xianming (alias, Ma Yin Ming)

Independent non-executive directors:

Mr. Frank Hu
Mr. Li John Zongyang
Mr. Hu Wenxiang

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

In accordance with the Company's Bye-laws, Dr. Ma Xianming, alias, Ma Yin Ming and Mr. Frank Hu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Dr. Ma Xianming, alias, Ma Yin Ming and Mr. Frank Hu 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 terms of office of each independent non-executive director is a period up to his 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 of 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 CONTRACT OF SIGNIFICANCE

No contracts 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 2009, 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)(4)	Interests in underlying shares pursuant to equity derivatives (1)(4)	Total interests in shares/underlying shares (1)(4)	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	1,241,600		43,048,800	8.79%
	The Company	Interest of controlled corporation	41,807,200 (2)	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	36,075,800 (3)	–	36,075,800	7.37%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner	672,200	190,000	862,200	0.18%

Notes:

(1) All interests in shares stated above 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.

(4) On 29 September 2009, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK$0.10.

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 2009.

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 36 to the consolidated financial statements.

There are still outstanding options granted under the Old Share Option Scheme during the year.

A summary of the movements in share options granted to directors under both the Old Share Option Scheme and the Existing Share Option Scheme during the year is as follows:

	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options Outstanding at 1.1.2009	Granted during the year	Lapsed during the year	Outstanding at 31.12.2009
Old Share Option Scheme							
Ma Xianming alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	0.95	190,000	–	–	190,000

Existing Share Option Scheme

There were no options granted to existing directors under the Existing Share Option Scheme during the year.

Nil (2008: HK$157,000) have been charged to the consolidated income statement in respect of the value of options granted to 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 39,283,979 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 5 June 2009. No option was granted during the year.

For details of options held by other participants, please refer to note 36 to the consolidated financial statements.

Note:

On 29 September 2009, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK$0.10.

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 of the Company 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 2009, so far as is 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)(2)	Approximate percentage of interests
August Profit Investments Limited	41,807,200	8.54%
Best Top Offshore Limited	36,075,800	7.37%

Note:

(1) All interests in shares stated above represent long positions.

(2) On 29 September 2009, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK$0.10.

Save as disclosed above, as at 31 December 2009, 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 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 81.7% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 61.7% of the Group's total turnover.

For the year ended 31 December 2009, the aggregate amount of cost of sales attributable to the Group's five largest suppliers accounted for approximately 85.5% of the Group's total cost of sales and the cost of sales attributable to the Group's largest supplier was approximately 44.0% 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 has issued convertible loans during the year. For details of warrants and convertible loans issued, please refer to note 30 and note 32 to the consolidated financial statements respectively. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2009.

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.

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 of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices ("the Code") set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2009 except for certain deviations. For further information on the Company's corporate governance practices and details of deviations, please refer to the Corporate Governance Report on pages 13 to 16.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the year.

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.

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 auditors of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 26 April 2010

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they have 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 and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director.

As at 31 December 2009, the Board consisted of three Executive Directors and three Independent Non-executive Directors.

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

The members of the Board and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun *(Chairman and Managing Director)*	2/2
Mr. Shan Shiyong, alias, Sin Sai Yung	0/2
Dr. Ma Xianming, alias, Ma Yin Ming	0/2
Independent Non-executive Directors	
Mr. Frank Hu	2/2
Mr. Li John Zongyang	2/2
Mr. Hu Wenxiang	0/2

The Company has received annual confirmations of independence from Mr. Frank Hu, Mr. Li John Zongyang and Mr. Hu Wenxiang and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 5 to 6 of this annual report respectively.

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

The annual general meeting held on 5 June 2009 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 Board. Mr. Jay Chun did not attend the annual general meeting 2009 as he was engaged in other commitments of the Company. In accordance with the Code, Mr. Jay Chun should attend the annual general meeting of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the Independent Non-executive Directors is appointed for a specific term. However, all 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.

REMUNERATION COMMITTEE

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 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. Hu Wenxiang	0/1

During the year, the Remuneration Committee reviewed the remuneration of the Executive Directors and recommended the Board to approve their remuneration.

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

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	700
Non-audit services	
– Taxation services	–
– Other professional services	31
Total	731

AUDIT COMMITTEE

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. Hu Wenxiang	0/2

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

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 December 2008 and the unaudited interim financial statements for the six months ended 30 June 2009, with recommendations to the Board for approval;

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

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2009.

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.

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 2009 and for the year ended 31 December 2009, the directors have adopted suitable accounting policies and applied them consistently. The financial statements for the reporting year 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 the 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.

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 20 to 91, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S 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. Except as described in the basis of opinion paragraph, 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 as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Limitation of scope – Prior year's audit scope limitation affecting opening balances of intangible assets, payments for investments, property, plant and equipment and deferred tax liabilities in connection with the Group's biopharmaceutical business.

   The consolidated financial statements for the year ended 31 December 2008 contained a disclaimer audit opinion on whether the Group had made adequate provision for impairment in value in respect of the Group's intangible assets, payments for investments and property, plant and equipment ("These Assets") and the related deferred tax liabilities on the intangible assets relating to the beneficial rights to drugs under development not yet available for use.

   As stated in note 3 to the consolidated financial statements, prior period adjustments for impairment loss of approximately HK$10,688,000, HK$18,524,000 and HK$5,336,000 was made for These Assets for 31 December 2007 and HK$1,246,000, HK$6,143,000 and HK$529,000 was made for These Assets for 31 December 2008. The related deferred tax liabilities has been reversed by approximately HK$1,603,000 and HK$1,184,000 for 31 December 2007 and 2008 respectively.

   We have not been able to ascertain the accuracy and adequacy of the prior period adjustments made for the impairment loss of approximately HK$10,688,000, HK$18,524,000, HK$5,336,000 and HK$1,246,000, HK$6,143,000, HK$529,000 in respect of These Assets and the reversal of the related deferred tax liabilities of approximately HK$1,603,000 and HK$1,184,000 for the years ended 31 December 2007 and 2008 respectively as we were unable to substantiate the appropriateness of the assumptions and basis made by the management in the forecast which was used to determine the fair value of These Assets for the years ended 31 December 2007 and 2008.

   Any adjustments found to be necessary in respect thereof would have a consequential effect on the net assets of the Group as at 31 December 2009, the results of the Group for the years ended 31 December 2009 and 2008 and the related disclosures thereof in the consolidated financial statements.

2. Limitation of scope – Current year's audit scope limitation regarding the impairment loss recognised for intangible assets, payments for investments, property, plant and equipment and deferred tax liabilities in connection with the Group's biopharmaceutical business.

   The management has made an assessment on the fair value of These Assets individually as at 31 December 2009. As stated in note 13 to the consolidated financial statements, further impairment loss of approximately HK$66,837,000, HK$40,074,000 and HK$10,270,000 was made for These Assets for 31 December 2009 and the related deferred tax liabilities has been fully reversed by approximately HK$13,976,000 for 31 December 2009.

   Included in the above impairment losses were amounts of approximately HK$30,119,000 and HK$2,606,000 made for drugs of which application had been made to State Food and Drug Administration of the People's Republic of China, which were included in payments for investments and property, plant and equipment respectively. We were unable to obtain sufficient evidence to substantiate the appropriateness of the assumptions and basis made by the management to justify that full provision for impairment loss was required for the drugs as at 31 December 2009.

   Any adjustments found to be necessary in respect thereof would have a consequential effect on the net assets of the Group as at 31 December 2009, the results of the Group for the years ended 31 December 2009 and 2008 and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis of opinion paragraph points 1 and 2 only, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements 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

Choi Man Chau, Michael
Practising Certificate Number P01188

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

Hong Kong, 26 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
TURNOVER	9	**325,224**	219,329
Cost of sales and services		**(227,662)**	(206,323)
Gross profit		**97,562**	13,006
Other operating income	10	**3,143**	6,575
Marketing, selling and distribution costs		**(39,234)**	(32,463)
Administrative expenses		**(93,841)**	(83,683)
Share-based payments		**–**	(1,234)
Research and development cost		**(2,725)**	(2,699)
Impairment loss for doubtful debts		**(116)**	(187)
Impairment loss on property, plant and equipment		**(10,270)**	(529)
Impairment loss on intangible assets		**(66,837)**	(1,059)
Impairment loss on payments for investments		**(40,074)**	(6,143)
Finance costs	11	**(18,508)**	(11,657)
Fair value loss on derivative financial instruments		**–**	(3,148)
Gain on derecognition of derivative financial instruments		**1,302**	10,725
Gain on deemed disposal of a subsidiary		**–**	15,600
Loss before tax		**(169,598)**	(96,896)
Income tax expenses	12	**2,359**	(2,545)
Loss for the year	13	**(167,239)**	(99,441)
Attributable to:			
Owners of the Company		**(167,234)**	(99,441)
Non-controlling interests		**(5)**	–
		(167,239)	(99,441)
Loss per share (HK cents)	16		
– Basis		**(37.88)**	(25.72)
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
Loss for the year	13	**(167,239)**	(99,441)
Other comprehensive income			
Net (loss) gain recognised directly in equity			
Exchange translation differences		**(186)**	8,601
Total comprehensive income for the year, net of tax		**(167,425)**	(90,840)
Total comprehensive income attributable to:			
Owners of the Company		**(167,420)**	(90,840)
Non-controlling interests		**(5)**	–
		(167,425)	(90,840)
Loss per share (HK cents)	16		
– Basis		**(37.92)**	(23.50)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000 (restated)	1/1/2008 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	17	**154,574**	153,793	117,241
Investment property	18	**–**	–	4,850
Intangible assets	19	**–**	78,632	79,832
Interest in an associate	20	**–**	–	–
Deposits paid for acquisition of non-current assets		**–**	945	15,292
Payments for investments	21	**–**	40,074	42,478
Deposit paid for acquisition of a subsidiary	22	**7,800**	7,800	7,800
		162,374	281,244	267,493
Current assets				
Inventories	23	**21**	193	25
Debtors, deposits and prepayments	24	**32,398**	35,738	46,944
Advances to consulting companies	25	**–**	29,071	52,083
Bank and cash balances	26	**44,853**	43,954	69,402
		77,272	108,956	168,454
Current liabilities				
Creditors and accrued charges	27	**62,710**	76,573	78,531
Amounts due to directors	42	**6,508**	1,550	1,411
Amount due to a related party	42	**2,106**	58	60
Other borrowings – due within one year	28	**58,515**	10,029	–
Obligations under finance leases – due within one year	29	**249**	257	242
Derivative financial instruments	30	**–**	–	7,577
Redeemable voting preference shares	31	**–**	–	13,978
Convertible loans – due within one year	32	**–**	73,933	–
Current tax liabilities		**2,410**	2,594	3,332
		132,498	164,994	105,131
Net current (liabilities) assets		**(55,226)**	(56,038)	63,323
Total assets less current liabilities		**107,148**	225,206	330,816

	Notes	2009 HK$'000	2008 HK$'000 (restated)	1/1/2008 HK$'000 (restated)
Non-current liabilities				
Other borrowings – due after one year	28	**9,200**	39,006	–
Obligations under finance leases				
– due after one year	29	**–**	249	506
Convertible loans – due after one year	32	**66,214**	12,504	72,174
Deferred tax liabilities	33	**–**	13,976	11,804
		75,414	65,735	84,484
Net assets		**31,734**	159,471	246,332
Capital and reserves				
Share capital	34	**48,971**	38,659	38,659
Reserves	35	**(17,287)**	120,812	207,673
Equity attributable to owners of the Company		**31,684**	159,471	246,332
Non-controlling interests		**50**	–	–
Total equity		**31,734**	159,471	246,332

The consolidated financial statements on pages 20 to 91 were approved and authorised for issue by the Board of Directors on 26 April 2010 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 2009

	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 2008, as previously reported	38,659	526,753	88,643	1,299	75,501	11,041	(462,619)	279,277	–	279,277
Prior period adjustments	–	–	–	–	–	–	(32,945)	(32,945)	–	(32,945)
At 1 January 2008, as restated	38,659	526,753	88,643	1,299	75,501	11,041	(495,564)	246,332	–	246,332
Total comprehensive income	–	–	–	–	–	8,601	(99,441)	(90,840)	–	(90,840)
Recognisation of equity component of convertible loans	–	–	–	2,745	–	–	–	2,745	–	2,745
Transfer of share option reserve upon the lapse of share options	–	–	–	–	(4,198)	–	4,198	–	–	–
Recognition of share based payments	–	–	–	–	1,234	–	–	1,234	–	1,234
	–	–	–	2,745	(2,964)	8,601	(95,243)	(86,861)	–	(86,861)
At 31 December 2008	38,659	526,753	88,643	4,044	72,537	19,642	(590,807)	159,471	–	159,471
At 1 January 2009, as previously reported	38,659	526,753	88,643	4,044	72,537	19,642	(551,128)	199,150	-	199,150
Prior period adjustments	-	-	-	-	-	-	(39,679)	(39,679)	-	(39,679)
At 1 January 2009, as restated	38,659	526,753	88,643	4,044	72,537	19,642	(590,807)	159,471	-	159,471
Total comprehensive income	-	-	-	-	-	(186)	(167,239)	(167,425)	(5)	(167,430)
Capital injection from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	55	55
Transfer of share option reserve upon the lapse of share options	-	-	-	-	(7,402)	-	7,402	-	-	-
Recognition of equity component of convertible loans	-	-	-	16,334	-	-	-	16,334	-	16,334
Issue of shares on conversion of convertible loans	10,312	22,161	-	(5,622)	-	-	-	26,851	-	26,851
Redemption of convertible loans	-	-	-	(1,299)	-	-	(2,248)	(3,547)	-	(3,547)
	10,312	22,161	-	9,413	(7,402)	(186)	(162,085)	(127,787)	50	(127,737)
At 31 December 2009	48,971	548,914	88,643	13,457	65,135	19,456	(752,892)	31,684	50	31,734

	2009 HK$'000	2008 HK$'000 (restated)
OPERATING ACTIVITIES		
Loss before tax	**(169,598)**	(96,896)
Adjustments for:		
Finance costs	**18,508**	11,657
Bank interest income	**(7)**	(221)
Interest income from consulting companies	**(267)**	(431)
Gain on derecognition of derivative financial instruments	**(1,302)**	(10,725)
Gain on disposal of an investment property	**–**	(3,460)
Fair value loss on derivative financial instruments	**–**	3,148
Gain on deemed disposal of a subsidiary	**–**	(15,600)
Loss on disposal of financial assets at fair value through profit or loss	**–**	487
Impairment loss for amount due from an associate	**116**	187
Impairment loss for amount due from a non-controlling shareholder of a subsidiary	**55**	–
Impairment loss on property, plant and equipment	**10,270**	529
Impairment loss on intangible assets	**66,837**	1,059
Impairment loss on payments for investments	**40,074**	6,143
Depreciation of property, plant and equipment	**32,307**	29,976
Loss (gain) on disposal of property, plant and equipment	**2,606**	(76)
Equity settled employee benefits	**–**	1,234
Operating cash flows before movements in working capital	**(401)**	(72,989)
Decrease (increase) in inventories	**172**	(165)
(Increase) decrease in debtors, deposits and prepayments	**(8,780)**	13,868
Decrease in advances to consulting companies	**21,016**	–
Decrease in creditors and accrued charges	**(15,507)**	(4,863)
Cash used in operations	**(3,500)**	(64,149)
Income taxes paid	**(184)**	(1,119)
NET CASH USED IN OPERATING ACTIVITIES	**(3,684)**	(65,268)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(36,718)**	(19,666)
Proceeds from disposal of an investment property	**–**	8,310
Purchases of financial assets at fair value through profit or loss	**–**	(8,222)
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	7,735
Deposits paid for acquisition of non-current assets	**–**	(6,184)
Proceeds from disposal of property, plant and equipment	**9**	1,657
Interest received	**7**	221
NET CASH USED IN INVESTING ACTIVITIES	**(36,702)**	(16,149)

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000 (restated)
FINANCING ACTIVITIES		
Proceeds from other borrowings raised	**36,028**	50,000
Proceeds from issue of convertible loans	**95,000**	16,000
Interest paid	**(12,968)**	(7,256)
Repayment of other borrowings	**(7,500)**	(1,899)
Convertible loan issue expenses paid	**–**	(800)
Repayment of obligations under finance leases	**(257)**	(242)
Interest in amounts due to directors	**4,958**	117
Interest paid on obligations under finance leases	**(22)**	(37)
Increase (decrease) in amount due to a related party	**2,048**	(2)
Redemption of convertible loans	**(76,000)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**41,287**	55,881
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**901**	(25,536)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**43,954**	69,402
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2)**	88
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**44,853**	43,954
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	**44,853**	43,954

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 to the annual report.

The Company is an investment holding company. The principal activities of the Group's associate and subsidiaries (together with the Company collectively referred to as the "Group") are set out in notes 20 and 43 respectively.

Other than those operating subsidiaries established in the People's Republic of China (the "PRC") and engaged in the research, development and sale of biopharmaceutical products, which functional currency is Renminbi ("RMB"), the functional currency of the Company and its 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 current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

(a) HKAS 1 (Revised) – Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly this statement are not presented.

(b) HKFRS 7 Financial instruments – Disclosures (Amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

(c) HKFRS 8 – Operating Segment

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]

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

HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKFRS 27 (Revised) may result in changes in accounting policies and the adoption of HKAS 24 (Revised) may affect the disclosures of related party transactions, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. PRIOR PERIOD ADJUSTMENTS

During the year ended 31 December 2009, the management reviewed again the Group's impairment assessment on the Group's tangible and intangible assets as at 31 December 2007 and 2008. As a consequence, the management resolved to make the following adjustments, which are due to prior period errors, to the Group's statement of financial position as at 31 December 2007 and 2008 and the results for the years ended 31 December 2007 and 2008.

3. PRIOR PERIOD ADJUSTMENTS (Continued)

The following is a summary of the effects on adjustments on:

	As previously reported 2007 HK$'000	Prior period adjustments for 2007 HK$'000	As restated 2007 HK$'000
TURNOVER	130,519		130,519
Cost of sales and services	(110,871)		(110,871)
Gross profit	19,648		19,648
Other operating income	4,159		4,159
Marketing, selling and distribution costs	(17,732)		(17,732)
Administrative expenses	(67,602)		(67,602)
Share-based payments	(63,674)		(63,674)
Research and development cost	(2,526)		(2,526)
Impairment loss for doubtful debts	(3,689)		(3,689)
Impairment loss on property, plant and equipment	–	(5,336)	(5,336)
Impairment loss on intangible assets (net of reversal of deferred tax liabilities)	–	(9,085)	(9,085)
Impairment loss on payments for investments	–	(18,524)	(18,524)
Finance costs	(3,844)		(3,844)
Fair value loss on derivative financial instruments	(36,817)		(36,817)
Loss before tax	(172,077)		(205,022)
Income tax expenses	(374)		(374)
Loss for the year	(172,451)		(205,396)
Attributable to:			
Owners of the Company	(172,451)		(205,396)
Non-controlling interests	–		–
	(172,451)		(205,396)
Loss per share (HK cents)			
– Basis (as adjusted for share consolidation taken place in 2009)	(50.71)		(60.40)
– Diluted	N/A		N/A

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	As previously reported 2007 HK$'000	Prior period adjustments for 2007 HK$'000	As restated 2007 HK$'000
Non-current assets			
Property, plant and equipment	122,577	(5,336)	117,241
Investment property	4,850		4,850
Intangible assets	90,520	(10,688)	79,832
Interest in an associate	–		–
Deposits paid for acquisition of non-current assets	15,292		15,292
Payments for investments	61,002	(18,524)	42,478
Deposit paid for acquisition of a subsidiary	7,800		7,800
	302,041		267,493
Current assets			
Inventories	25		25
Debtors, deposits and prepayments	46,944		46,944
Advances to consulting companies	52,083		52,083
Bank and cash balances	69,402		69,402
	168,454		168,454
Current liabilities			
Creditors and accrued charges	78,531		78,531
Amounts due to directors	1,411		1,411
Amount due to a related party	60		60
Other borrowings – due within one year	–		–
Obligations under finance leases – due within one year	242		242
Derivative financial instruments	7,577		7,577
Redeemable voting preference shares	13,978		13,978
Convertible loans – due within one year	–		–
Current tax liabilities	3,332		3,332
	105,131		105,131
Net current assets	63,323		63,323
Total assets less current liabilities	365,364		330,816

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	As previously reported 2007 HK$'000	Prior period adjustments for 2007 HK$'000	As restated 2007 HK$'000
Non-current liabilities			
Other borrowings – due after one year	–		–
Obligations under finance leases			
– due after one year	506		506
Convertible loans – due after one year	72,174		72,174
Deferred tax liabilities	13,407	(1,603)	11,804
	86,087		84,484
Net assets	279,277		246,332
Capital and reserves			
Share capital	38,659		38,659
Reserves	240,618	(32,945)	207,673
Equity attributable to owners of the Company	279,277		246,332
Non-controlling interests	–		–
Total equity	279,277		246,332

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	As previously reported 2008 HK$'000	Prior period adjustments for 2008 HK$'000	As restated 2008 HK$'000
TURNOVER	219,329		219,329
Cost of sales and services	(206,323)		(206,323)
Gross profit	13,006		13,006
Other operating income	6,575		6,575
Marketing, selling and distribution costs	(32,463)		(32,463)
Administrative expenses	(83,683)		(83,683)
Share-based payments	(1,234)		(1,234)
Research and development cost	(2,699)		(2,699)
Impairment loss for doubtful debts	(187)		(187)
Impairment loss on property, plant and equipment	–	(529)	(529)
Impairment loss on intangible assets (net of reversal of deferred tax liabilities and related income tax expenses)	–	(1,059)	(1,059)
Impairment loss on payments for investments	–	(6,143)	(6,143)
Finance costs	(11,657)		(11,657)
Fair value loss on derivative financial instruments	(3,148)		(3,148)
Gain on derecognition of derivative financial instruments	10,725		10,725
Gain on deemed disposal of a subsidiary	15,600		15,600
Loss before tax	(89,165)		(96,896)
Income tax expenses	(3,542)	997	(2,545)
Loss for the year	(92,707)		(99,441)
Attributable to:			
Owners of the Company	(92,707)		(99,441)
Non-controlling interests	–		–
	(92,707)		(99,441)
Loss per share (HK cents)			
– Basis (as adjusted for share consolidation taken place in 2009)	(23.98)		(25.72)
– Diluted	N/A		N/A

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	As previously reported 2008 HK$'000	Prior period adjustments for 2007 HK$'000	Prior period adjustments for 2008 HK$'000	As restated 2008 HK$'000
Non-current assets				
Property, plant and equipment	159,658	(5,336)	(529)	153,793
Intangible assets	90,566	(10,688)	(1,246)	78,632
Interest in an associate	–			–
Deposits paid for acquisition of non-current assets	945			945
Payments for investments	64,741	(18,524)	(6,143)	40,074
Deposit paid for acquisition of a subsidiary	7,800			7,800
	323,710			281,244
Current assets				
Inventories	193			193
Debtors, deposits and prepayments	35,738			35,738
Advances to consulting companies	29,071			29,071
Bank and cash balances	43,954			43,954
	108,956			108,956
Current liabilities				
Creditors and accrued charges	76,573			76,573
Amounts due to directors	1,550			1,550
Amount due to a related party	58			58
Other borrowings – due within one year	10,029			10,029
Obligations under finance leases – due within one year	257			257
Convertible loans – due within one year	73,933			73,933
Current tax liabilities	2,594			2,594
	164,994			164,994
Net current liabilities	(56,038)			(56,038)
Total assets less current liabilities	267,672			225,206

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	As previously reported 2008 HK$'000	Prior period adjustments for 2007 HK$'000	Prior period adjustments for 2008 HK$'000	As restated 2008 HK$'000
Non-current liabilities				
Other borrowings – due after one year	39,006			39,006
Obligations under finance leases – due after one year	249			249
Convertible loans – due after one year	12,504			12,504
Deferred tax liabilities	16,763	(1,603)	(1,184)	13,976
	68,522			65,735
Net assets	199,150			159,471
Capital and reserves				
Share capital	38,659			38,659
Reserves	160,491	(32,945)	(6,734)	120,812
Equity attributable to owners of the Company	199,150			159,471
Non-controlling interests	–			–
Total equity	199,150			159,471

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$55,226,000 and incurred loss of approximately HK$167,239,000 for the year then ended. In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses;

2. the directors have implemented measures to tighten cost controls over various marketing, selling and distribution costs and administrative expenses and to improve the Group's positive cashflow positions and operating results.

3. The Group has received HK$212,450,000 in respect of the subscription agreement I, II and III for convertible debentures, details please refer to note 45.

On the basis that the continuing availability of the financial supports provided by independent third parties and the implementation of other measures with a view to improve its working capital and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) 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 of 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 income statement in the year in which the item is derecognised.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

(f) 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 income statement 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.

(g) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 each of the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on 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 on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on 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 on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

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 in the period in which the foreign operation is disposed of.

(i) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

(j) Retirement benefit costs

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 income statement 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 on 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.

(l) 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 income statement when the asset is derecognised.

(m) Research and development expenditure

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

(n) Inventories

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions 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.

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.

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 has 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 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 each of the end of the reporting period 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 the period in which they arise.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

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 each of the end of the reporting period subsequent to initial recognition, loans and receivables (including debtors, deposits, advances to consulting companies 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 each of the end of the reporting period. 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.

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 trade debtor 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 losses 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 is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

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.

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 and obligations under finance leases 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

Convertible loans (Continued)

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.

Redeemable voting preference shares

Redeemable voting preference shares which entitle the holder to convert the preference shares into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component, is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the consolidated income statement.

Transaction costs are apportioned between the liability and derivative components of the redeemable voting preference shares based on the allocation of proceeds to the liability and derivative components on initial recognition.

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 to their fair value at each of the end of the reporting period. 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

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 each of the end of the reporting period, 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.

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 services, unless the services qualify for recognition as assets.

(p) Impairment losses on tangible and intangible assets

At each of the end of the reporting period, 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.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, 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 assets 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 income statement.

(b) Impairment loss for intangible assets, payments for investments and deposit paid for acquisition of a subsidiary

In connection with the carrying amount of intangible assets, payments for investments and deposit paid for acquisition of a subsidiary, the Group performs ongoing evaluation of 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, payments for investments and acquisition of a subsidiary. 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 and deposits

The policy for making impairment loss on debtors and deposits 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.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Fair value of derivative financial instruments

As disclosed in note 30 and 31, the fair values of the derivative component of the redeemable voting preference shares and warrants at respective measurement dates were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative instruments, the expected volatility of the market price of the underlying assets and the potential dilution therein.

Where the estimation on the abovementioned factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative financial instruments in the period in which such determination is made.

(e) 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.

7. 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 debt, which includes the other borrowings and convertible loans as disclosed in notes 28 and 32 respectively, bank and cash balances and equity of the Company, comprising issued share capital disclosed in note 34 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 raise of new borrowings or repayment of existing borrowings. The Group's approach to capital management remains unchanged throughout the year.

8. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

The Group's major financial instruments include debtors; deposits; advances to consulting companies; bank and cash balances; creditors and accrued charges; amounts due to directors; amount due to a related party; other borrowings; 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, interest rate risk and other price 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 on a timely and effective manner.

Market risk

(a) Currency risk

Currency risk refers to the risk that movement in foreign currency rate which will affect the Group's financial results and its cashflow. The management considers the Group does not expose to significant foreign currency risk as 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, other borrowings, obligations under finance leases and convertible loans. The bank deposits bear interests at variable rates varied with the prevailing market condition. The other borrowings, 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 borrowings are at fixed interest rates and the interest income generated from bank deposits is insignificant.

(c) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in gaming industry sector quoted in the Stock Exchange. In addition, the Group monitors the price risk exposure and will consider hedging the risk exposure should the need arise.

8. FINANCIAL RISK MANAGEMENT (Continued)

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

Credit risk

The carrying amounts of bank and cash balances, debtors, deposits and advances to consulting companies 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.

In view of advances to consulting companies, the Group performs ongoing credit evaluations of consulting companies' financial conditions. After the end of the reporting period, most advances to consulting companies have been repaid on demand, there is no significant exposure to the credit risk as regards advances to consulting companies.

8. FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk

The Group is exposed to liquidity risk as at 31 December 2009 as its financial assets due within one year was less than its financial liabilities due within one year. At 31 December 2009, the Group had net current liabilities of approximately HK$55,226,000. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturity for is 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.

	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
At 31 December 2009				
Creditors and accrued charges	**62,710**	**–**	**–**	**62,710**
Amount due to directors	**6,508**	**–**	**–**	**6,508**
Amount due to a related party	**2,106**	**–**	**–**	**2,106**
Other borrowings	**64,598**	**9,836**	**–**	**74,434**
Obligations under finance leases	**256**	**–**	**–**	**256**
Convertible loans	**6,320**	**6,320**	**91,640**	**104,280**
	142,498	**16,156**	**91,640**	**250,294**
At 31 December 2008				
Creditors and accrued charges	76,573	–	–	76,573
Amount due to directors	1,550	–	–	1,550
Amount due to a related party	58	–	–	58
Other borrowings	15,718	35,718	10,836	62,272
Obligations under finance leases	279	256	–	535
Convertible loans	81,320	1,315	21,120	103,755
	175,498	37,289	31,956	244,743

8. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities

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

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

– the fair value 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 value of derivative instruments in calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis 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

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables		
– debtors and deposits	**30,851**	35,384
– advances to consulting companies	**–**	29,071
– bank and cash balances	**44,853**	43,954
	75,704	108,409
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**62,710**	76,573
– amounts due to directors	**6,508**	1,550
– amounts due to a related party	**2,106**	58
– other borrowings	**67,715**	49,035
– obligations under finance leases	**249**	506
Convertible loans	**66,214**	86,437
	205,502	214,159

9. TURNOVER AND SEGMENT INFORMATION

For management purpose, 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 sale of biopharmaceutical products
Gaming	–	Provision of management services, development, provision and sales of electronic gaming system

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

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2009 and 2008, respectively.

(a) Business segments

For the year ended 31 December 2009

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue				
Revenue from external customers	124,403	200,821	–	325,224
Segment results	(128,270)	(4,455)	2,251	(130,474)
Unallocated operating income				–
Unallocated corporate expenses				(21,918)
Finance costs				(18,508)
Gain on derecognition of derivative financial instruments				1,302
Loss before tax				(169,598)
Income tax expenses				2,359
Loss for the year				(167,239)

9. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2009

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	25,452	199,268	961	225,681
Unallocated assets				13,965
Total assets				239,646
Liabilities				
Segment liabilities	42,808	64,701	47	107,556
Unallocated liabilities				100,356
Total liabilities				207,912
Other information				
Capital expenditures	488	45,474	15	45,977
Depreciation of property, plant and equipment	7,121	24,744	442	32,307
Impairment loss on property, plant and equipment	10,270	–	–	10,270
Impairment loss on intangible assets	66,837	–	–	66,837
Impairment loss on payments for investments	40,074	–	–	40,074
Impairment loss for amount due from an associate	–	–	116	116

9. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2008

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Total HK$'000 (restated)
Revenue				
Revenue from external customers	124,402	94,927	–	219,329
Segment results	(18,183)	(65,050)	2,387	(80,846)
Unallocated operating income				202
Unallocated corporate expenses				(31,232)
Finance costs				(11,657)
Fair value loss on derivative financial instruments				(3,148)
Gain on derecognition of derivative financial instruments				10,725
Gain on deemed disposal of a subsidiary				15,600
Gain on disposal of an investment property				3,460
Loss before tax				(96,896)
Income tax expenses				(2,545)
Loss for the year				(99,441)

9. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2008

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Total HK$'000 (restated)
Assets				
Segment assets	186,407	138,352	1,016	325,775
Unallocated assets				64,425
Total assets				390,200
Liabilities				
Segment liabilities	54,150	37,018	52	91,220
Unallocated liabilities				139,509
Total liabilities				230,729

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000 (restated)
Other information					
Capital expenditure	30	66,784	–	108	66,922
Depreciation of property, plant and equipment	6,927	22,533	119	397	29,976
Gain on disposal of property, plant and equipment	76	–	–	–	76
Gain on disposal of an investment property	–	–	–	3,460	3,460
Loss on disposal of financial assets at fair value through profit or loss	–	–	–	487	487
Impairment loss on property, plant and equipment	529	–	–	–	529
Impairment loss on intangible assets	1,059	–	–	–	1,059
Impairment loss on payments for investments	6,143	–	–	–	6,143
Impairment loss for amount due from an associate	–	–	–	187	187
Share-based payments	–	–	–	1,234	1,234

9. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Revenue		Total assets		Capital expenditure	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000
The PRC and Hong Kong	**124,403**	124,402	**40,715**	131,475	**503**	10,762
Macau	**200,821**	94,927	**198,931**	258,725	**45,474**	56,160
	325,224	219,329	**239,646**	390,200	**45,977**	66,922

10. OTHER OPERATING INCOME

	2009 **HK$'000**	2008 HK$'000
Bank interest income	**7**	221
Interest income from consulting companies	**267**	431
Gain on disposal of property, plant and equipment	**–**	76
Gain on disposal of an investment property	**–**	3,460
Rental income	**720**	720
Net exchange gains	**110**	70
Sundry income	**2,039**	1,597
	3,143	6,575

11. FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interests on:		
Other borrowings wholly repayable within five years	**8,069**	3,160
Obligations under finance leases wholly repayable within five years	**22**	37
Bank overdraft	**44**	4
Effective interests on:		
Convertible loans (note 32)	**10,373**	6,834
Redeemable voting preference shares (note 31)	**–**	1,622
	18,508	11,657

12. INCOME TAX EXPENSES

	2009 HK$'000	2008 HK$'000 (restated)
Current tax		
– current year	–	186
Deferred tax		
– attributable to a change in tax rate (note 33)	(2,359)	2,359
	(2,359)	2,545

(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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed below will continue after the New Law.

Pursuant to the notice issued by the PRC tax authorities, the applicables tax rate of the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd. ("Hainan Kangwei") for 2008, 2009, 2010 and 2011 is 18%, 20%, 22% and 24% respectively. Hainan Kangwei is subjected to PRC Enterprise Income Tax rate of 25% commencing from 1 January 2012.

For other operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2008: 25%) prevailing in the PRC during both years 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 during both years.

(iii) Overseas income tax

Tax charge on assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX EXPENSES (Continued)

The charge for the year can be reconciled to the loss before tax per consolidated income statement is as follows:

	2009 **HK$'000**	2008 HK$'000 (restated)
Loss before tax	**(169,598)**	(96,896)
Tax at PRC Enterprise Income Tax rate of 25% (2008: 25%)	**(42,400)**	(24,224)
Tax effect of expenses not deductible for tax purpose	**33,965**	15,302
Tax effect of income not taxable for tax purpose	**(349)**	(545)
Tax effect of tax losses not recognised	**3,280**	4
Utilisation of tax loss previously not recognised	**763**	–
(Reversal of) increase in deferred tax liabilities resulting from an increase in applicable tax rate	**(2,359)**	2,359
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**4,741**	9,649
Income tax expenses	**(2,359)**	2,545

13. LOSS FOR THE YEAR

	2009 **HK$'000**	2008 HK$'000 (restated)
Loss for the year has been arrived at after charging:		
Auditors' remuneration	**700**	700
Cost of inventories recognised as expenses	**112,514**	122,008
Depreciation of property, plant and equipment	**32,307**	29,976
Direct operating expenses in respect of an investment property that did not generate rental income	**61**	42
Loss on disposal of financial assets at fair value through profit or loss	**–**	487
Operating lease rentals paid in respect of rented premises	**5,363**	4,567
Impairment loss on property, plant and equipment (note)	**10,270**	529
Impairment loss on intangible assets (note)	**66,837**	1,059
Impairment loss on payments for investments (note)	**40,074**	6,143
Impairment loss for amount due from an associate	**116**	187
Impairment loss for amount due from a non-controlling shareholder of a subsidiary	**55**	–
Staff costs		
– Directors' emoluments (note 14)	**6,690**	8,448
– Other staffs		
– Salaries and other benefits	**30,297**	34,749
– Equity settled share-based payments (note 36)	**–**	702
– Retirement benefits scheme contributions	**645**	556
Total staff costs	**37,632**	44,455

13. LOSS FOR THE YEAR (Continued)

Note:

Impairment loss in connection with the Group's biopharmaceutical business

The management had conducted a thorough review on the Group's biopharmaceutical business. Based on the result of the review, the management resolved to make full impairment loss of approximately HK$66,837,000, HK$40,074,000 and HK$10,270,000 to the Group's intangible assets, payments for investments and property, plant and equipment as at 31 December 2009 and fully reversed the related deferred tax liabilities of approximately HK$13,976,000 (note 33) as at 31 December 2009.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2009

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefits HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	2,268	1,440	–	12	3,720
Mr. Shan Shiyong, alias, Sin Sai Yung	–	2,400	–	–	4	2,404
Dr. Ma Xianming, alias, Ma Yin Ming	–	206	–	–	–	206
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	–	120
Mr. Hu Wenxiang	120	–	–	–	–	120
Total	360	4,874	1,440	–	16	6,690

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

The emoluments of each director were as follows:

Year ended 31 December 2008

Name	Fees	Salaries and other benefits	Accom-modation benefits	Shared-based payments	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Jay Chun	–	2,268	1,233	–	12	3,513
Mr. Shan Shiyong, alias, Sin Sai Yung	–	2,400	–	–	–	2,400
Dr. Ma Xianming, alias, Ma Yin Ming	–	203	–	–	–	203
Mr. Law Wing Kit, Stephen (note a)	–	560	–	375	–	935
Mr. Park Aaron Changmin (note b)	–	880	–	157	–	1,037
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Ms. Ma Shiwei (note c)	107	–	–	–	–	107
Mr. Li John Zongyang	120	–	–	–	–	120
Mr. Hu Wenxiang (note d)	13	–	–	–	–	13
Total	360	6,311	1,233	532	12	8,448

Notes:

(a) Resigned on 7 August 2008
(b) Resigned on 1 December 2008
(c) Resigned on 21 November 2008
(d) Appointed on 21 November 2008

No director waived or agreed to waive any emoluments during two years ended 31 December 2009 and 2008.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group during the year included two (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of remaining three (2008: one) individual are set out below:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**2,355**	1,200
Retirement benefit scheme contributions	**12**	–
	2,367	1,200

Their emoluments were within the following band:

	2009 Number of individuals	2008 Number of individuals
0 to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	1

During two years ended 31 December 2009 and 2008, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

16. LOSS PER SHARE

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

	2009 **HK$'000**	2008 HK$'000 (restated)	2007 HK$'000 (restated)
Loss			
Loss for the purpose of calculating basic loss per share	**(167,239)**	(99,441)	(205,396)

	2009	2008 (restated)	2007 (restated)
Number of shares			
Issued ordinary shares at 1 January	**3,865,897,919**	3,865,897,919	3,038,297,919
Effect of issue of shares on placement	**–**	–	11,506,849
Effect of conversion of convertible loans	**548,972,603**	–	143,013,698
Effect of exercise of share options	**–**	–	95,435,890
Effect of exercise of warrants	**–**	–	112,328,767
Share consolidation (note 34)	**(3,973,383,470)**	(3,479,308,128)	(3,060,524,811)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**441,487,052**	386,589,791	340,058,312

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2009 and 2008, no diluted loss per share was presented for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000 (restated)	Plant and machinery HK$'000 (restated)	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (restated)
Cost						
At 1 January 2008	1,300	40,001	91,119	4,601	4,685	141,706
Additions	–	27,971	29,360	9,591	–	66,922
Disposals	–	(280)	(1,785)	(862)	–	(2,927)
Exchange realignment	–	134	2,096	37	86	2,353
At 31 December 2008	1,300	67,826	120,790	13,367	4,771	208,054
Additions	–	38,541	7,052	384	–	45,977
Disposals	–	(180)	(4,377)	(837)	–	(5,394)
Exchange realignment	–	–	(4)	–	–	(4)
At 31 December 2009	1,300	106,187	123,461	12,914	4,771	248,633
Depreciation and impairment loss						
At 1 January 2008, as restated	306	936	19,338	2,046	1,839	24,465
Provided for the year	25	8,458	19,814	970	709	29,976
Disposals	–	(280)	(503)	(563)	–	(1,346)
Impairment loss	–	29	500	–	–	529
Exchange realignment	–	36	530	28	43	637
At 31 December 2008, as restated	331	9,179	39,679	2,481	2,591	54,261
Provided for the year	25	6,201	23,643	1,787	651	32,307
Disposals	–	(176)	(2,065)	(538)	–	(2,779)
Impairment loss	–	492	9,778	–	–	10,270
At 31 December 2009	356	15,696	71,035	3,730	3,242	94,059
Carrying values						
At 31 December 2009	944	90,491	52,426	9,184	1,529	154,574
At 31 December 2008, as restated	969	58,647	81,111	10,886	2,180	153,793

17. 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 land and buildings	Over the remaining terms of the leases
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%

The Group's leasehold land and buildings represents property situated in Hong Kong held under long lease.

At 31 December 2009, the carrying amount of the motor vehicles held by the Group under finance leases amounted to approximately HK$348,000 (2008: HK$608,000).

18. INVESTMENT PROPERTY

	2009	2008
	HK$'000	HK$'000
At 1 January	**–**	4,850
Disposal	**–**	(4,850)
At 31 December	**–**	–

The Group's investment property was situated in Hong Kong and was held under long lease and was disposal in 2008.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment property.

19. INTANGIBLE ASSETS

	Patents HK$'000	Beneficial rights to drugs under development HK$'000 (restated)	Total HK$'000 (restated)
Cost			
At 1 January 2008	4,705	90,520	95,225
Exchange realignment	–	46	46
Reversal of deferred tax liabilities initially recognised (note 33)	–	(187)	(187)
At 31 December 2008	4,705	90,379	95,084
Exchange realignment	–	(178)	(178)
Reversal of deferred tax liabilities initially recognised (note 33)	–	(11,617)	(11,617)
At 31 December 2009	4,705	78,584	83,289
Amortisation and impairment			
At 1 January 2008	4,705	10,688	15,393
Impairment loss	–	1,059	1,059
At 31 December 2008	4,705	11,747	16,452
Impairment loss	–	66,837	66,837
At 31 December 2009	4,705	78,584	83,289
Carrying amount			
At 31 December 2009	–	–	–
At 31 December 2008	–	78,632	78,632

Patents represent the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products. The patent was fully amortised in prior years.

Beneficial rights to drugs under development represent the costs incurred by the Group in acquiring certain know-how and technologies in drugs, which were under development by the Group since acquisition. As detailed in note 3 to the financial statements, the Group considered the recoverable amounts of these intangible assets and provision for impairment is recognised for the year ended 31 December 2007, 2008 and 2009.

20. INTEREST IN AN ASSOCIATE

	2009 HK$'000	2008 HK$'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	**9,301**	9,185
	9,301	9,185
Less: Impairment loss for amount due from an associate	**(9,301)**	(9,185)
	–	–

Particulars of the Group's associate as at 31 December 2009 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

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

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

	2009 HK$'000	2008 HK$'000
At 31 December		
Total assets	**4,531**	4,717
Total liabilities	**(11,231)**	(11,101)
Net liabilities	**(6,700)**	(6,384)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**13**	8
Total loss for the year	**(314)**	(439)

20. INTEREST IN AN ASSOCIATE (Continued)

The Group has not recognised loss for the year amounting to approximately HK$149,000 (2008: HK$208,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,084,000 (2008: HK$1,935,000).

21. PAYMENTS FOR INVESTMENTS

	2009 HK$'000	2008 HK$'000 (restated)	1/1/2008 HK$'000 (restated)
Deposits paid for the acquisition of beneficial rights to drugs under development	**63,385**	63,385	59,724
Consultancy fees for soliciting the drugs under development projects capitalised	**1,356**	1,356	1,278
	64,741	64,741	61,002
Less: Accumulated impairment losses	**(64,741)**	(24,667)	(18,524)
	–	40,074	42,478

Payments for investments represent deposits paid for the rights to drugs under the Group's biopharmaceutical business and relevant consultancy fees capitalised under the development stage of those drugs.

As detailed in note 3 to the financial statement, the Group considered the recoverable amounts of these payments for investments and provision for impairment is recognised for the year ended 31 December 2007, 2008 and 2009.

22. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 10 August 2007, LifeTec (Holdings) Limited ("LifeTec Holdings"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party for the acquisition of 80% equity interest in Shanghai Chengyou Network Technology Co., Ltd. ("Shanghai Chengyou") at a cash consideration of HK$12,800,000. Shanghai Chengyou is a domestic enterprise with limited liability established in the PRC and engaged in the development of electronic trading platform. The amount of HK$7,800,000 as at 31 December 2009 and 2008 represents the deposit paid by the Group for the acquisition. Such deposit is secured by 49% equity interest in Shanghai Chengyou.

As of the date on which the consolidated financial statements are being approved by the directors, the consideration and payment mechanism in respect of the transactions are still under negotiation and not yet concluded.

23. INVENTORIES

	2009 **HK$'000**	2008 HK$'000
Finished goods	**21**	193

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 **HK$'000**	2008 HK$'000
Trade debtors	**32,719**	29,812
Less: Accumulated impairment loss	**(10,301)**	(10,301)
	22,418	19,511
Other debtors, deposits and prepayments	**9,980**	16,227
	32,398	35,738

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

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

	2009 **HK$'000**	2008 HK$'000
Within 30 days	**15,232**	7,642
31-60 days	**5,907**	4,160
61-90 days	**1,279**	1,486
91-180 days	**–**	5,004
181-365 days	**–**	1,219
	22,418	19,511

24. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

The movement in the impairment loss for trade debtors is as follows:

	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**10,301**	10,301
Impairment loss recognised in consolidated income statement	**–**	–
Balance at the end of the year	**10,301**	10,301

The Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment was recognised. The Group does not hold any collateral over these balances.

As of 31 December 2009, no trade debtors (2008: approximately HK$1,219,000) were past due but not impaired. An ageing analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	HK$'000
181 – 365 days	**–**	1,219

Trade debtors that were past due but not impaired related to a number of customers that are the major biopharmaceutical providers in the PRC and have a good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. ADVANCES TO CONSULTING COMPANIES

The amount represents the outstanding receivables from four consulting companies established in the PRC as at 31 December 2008. Pursuant to the agreements entered into between these consulting companies and Shanghai Youheng Biotechnology Limited ("Youheng"), a subsidiary of the Company, Youheng has appointed these consulting companies to:

(a) Solicit potential biopharmaceutical investments projects in the PRC and to provide consultancy services to the related investments for a service fee of 3% on the amount to be invested in the projects by Youheng; and

(b) Make payment of earnest money for potential investment projects or cost of investment on behalf of the Group after obtaining the approval from Youheng.

26. BANK AND CASH BALANCES

	2009 HK$'000	2008 HK$'000
Cash at bank (note)	**9,943**	9,219
Cash chips in hand	**16,455**	24,249
Cash in hand	**18,455**	10,486
	44,853	43,954

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

As at 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$3,698,000 (2008: HK$1,694,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

27. CREDITORS AND ACCRUED CHARGES

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

	2009 HK$'000	2008 HK$'000
Within 30 days	**7,356**	12,476
31 – 60 days	**2,713**	5,332
61 – 90 days	**3,605**	7,684
91 – 180 days	**5,703**	12,901
More than 365 days	**249**	202
Trade creditors	**19,626**	38,595
Other creditors and accrued charges	**34,671**	29,923
Value added tax payable	**8,413**	8,055
	62,710	76,573

28. OTHER BORROWINGS

	2009 HK$'000	2008 HK$'000
Unsecured	**67,715**	49,035
Carrying amount repayable:		
On demand or within one year	**58,515**	10,029
More than one year but not exceeding two years	**9,200**	29,805
More than two years but not more than five years	**–**	9,201
	67,715	49,035
Less: Amounts due within one year (shown under current liabilities)	**(58,515)**	(10,029)
Amounts due after one year	**9,200**	39,006

Other borrowings are denominated in Hong Kong dollars and are loans from independent third parties which bear at fixed interest rates ranging from 2% to 18% (2008: 15% to 18%) per annum.

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Within one year	**256**	279	**249**	257
More than one year, but not exceeding two years	**–**	256	**–**	249
More than two year, but not exceeding five years	**–**	–	**–**	–
	256	535	**249**	506
Less: Future finance charges	**(7)**	(29)	**N/A**	N/A
Present value of lease obligations	**249**	506	**249**	506
Less: Amount due for settlement within one year (shown under current liabilities)			**(249)**	(257)
Amount due for settlement after one year			**–**	249

29. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4.5 years (2008: 4.5 years). As at 31 December 2009, the effective borrowing rate was 7.1% (2008: 7.1%). Interest rates are fixed at the contract dates. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of the lease term, the Group has the option to purchase the motor vehicles at nominal prices.

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 asset and the personal guarantee executed by a director of the Company.

30. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2008, 100,000,000 warrants with carrying amount of HK$2,213,000 had not been exercised up to 2 April 2008. A gain on derecognition of warrants of HK$2,213,000 was recognised to the consolidated income statement.

On 10 March 2008, the Company and Global Markets Inc Limited ("GMI") entered into a conditional placing agreement in respect of the placement of 115,976,938 warrants at an issue price of HK$0.01 per warrant. These warrants confer the right to subscribe for ordinary shares of the Company of HK$0.01 each, at an exercise price of HK$0.19 per ordinary shares of the Company, subject to adjustment. Upon full exercise of these warrants, an aggregate of 115,976,938 ordinary of the Company of HK$0.01 each would be issued. On 18 August 2008, the Company and GMI entered into a cancellation agreement to cancel the placement of 115,976,938 warrants.

31. REDEEMABLE VOTING PERFORMANCE SHARE

Pursuant to a subscription agreement dated 1 December 2006, LT Game Limited ("LT Game"), a subsidiary of the Company, issued 900 redeemable voting preference shares of US$1.00 each (the "Preference Shares") to an independent third party (the "Subscriber") at a subscription price of US$2,222.22 each. Total subscription price amounting to US$2,000,000 (equivalent to HK$15,600,000) (the "Subscription Price") was paid by the Subscriber in cash on 1 December 2006.

The Preference Shares rank pari passu in all respects with the existing ordinary shares of LT Game.

If LT Game reports net profit before tax of less than HK$32 million for the financial year ended 31 December 2007, the holder of the Preference Shares shall be entitled to redeem the Preference Shares at the Subscription Price at any time between the date of issue of the audited financial statements of LT Game for the year ended 31 December 2007 and the date falling 6 months after the date of issue of the audited financial statements of LT Game for the year ended 31 December 2007 (the "Conversion Date").

Unless previously redeemed, each Preference Shares shall automatically be converted into an ordinary shares of LT Game on the Conversion Date.

The fair value of the derivative component, representing the embedded redemption option entitled to the holders of the Preference Shares, was estimated at the issuance using an option pricing model and the change in fair value of that component is recognised in the consolidated income statement. The residual amount is assigned as the liability component.

31. REDEEMABLE VOTING PREFERENCE SHARES (Continued)

The fair values of the derivatives financial instruments are determined using the generally accepted option pricing models. The significant inputs into the models were as follows:

	Derivative component of redeemable preference shares 2008
Share price of underlying shares	HK$7,812
Exercise price	HK$17,333
Expected volatility	54.97%
Expected life	123 days
Risk-free rate	1.22%
Expected dividend yield	–

The movement of the derivative and liability components of the preference Shares during the year is set out below:

	2009 HK$'000	2008 HK$'000
Derivative component		
At beginning of the year	**–**	5,364
Fair value loss	**–**	3,148
Derecognised during the year (note)	**–**	(8,512)
At end of the year	**–**	–

	2009 HK$'000	2008 HK$'000
Liability component		
At beginning of the year	**–**	13,978
Interest charged for the year (note 11)	**–**	1,622
Converted into ordinary shares of LT Game (note 40)	**–**	(15,600)
At end of the year	**–**	–

31. REDEEMABLE VOTING PREFERENCE SHARES (Continued)

Note:

On 25 October 2008, the Preference Shares were automatically converted into 900 new ordinary shares of LT Game of US$1 each. A gain on derecognition of derivative component of HK$8,512,000 was recognised to the consolidated income statement during the year ended 31 December 2008.

During the year ended 31 December 2008, the interest charged is calculated by applying an effective interest rate of 14.75% to the liability component.

32. CONVERTIBLE LOANS

Pursuant to a subscription agreement dated 22 October 2007, the Company issued convertible notes with principal value of HK$76,000,000 on 7 November 2007 ("CN1"). The holder of CN1 is entitled to convert any part of the principal amount in whole or in multiples of HK$1,000,000 into new ordinary shares of the Company, at a conversion price of HK$0.20 each and at any time between the date of issue of CN1 and 31 December 2009. If CN1 are not converted before 31 December 2009, they will be redeemed at par on 31 December 2009. CN1 bears interests at 7% 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 provided in the Company's announcement dated 23 October 2007.

Pursuant to a redemption agreement entered with the CN1 holder dated 28 November 2008, CN1 was early redeemed by the Company on 20 February 2009.

Pursuant to a subscription agreement dated 25 November 2008, the Company issued convertible notes with principal value of HK$16,000,000 on 22 December 2008 ("CN2") to Kelton Capital Group Limited ("Kelton Group"). Kelton Group is entitled to convert the principal amount in whole or in part of HK$16,000,000 into new ordinary shares of the Company, at a conversion price of HK$0.32 each and at any time between the 1 March 2009 and 31 December 2013. If CN2 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN2 bears 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 provided in the Company's announcement dated 27 November 2008.

Pursuant to a subscription agreement dated 25 November 2008, the Company issued convertible notes with principal value of HK$96,000,000 on 20 February 2009 ("CN3") to Right Choice Securities Limited ("Right Choice"). Right Choice is entitled to convert the principal amount in whole or in part of HK$96,000,000 into new ordinary shares of the Company, at a conversion price of HK$0.32 each and at any time between the 20 February 2009 and 31 December 2013. If CN3 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN3 bears 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 provided in the Company's announcement dated 27 November 2008.

32. CONVERTIBLE LOANS (Continued)

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

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Nominal values of convertible loan notes issued	76,000	16,000	96,000	188,000
Transaction costs	(3,800)	(800)	(828)	(5,428)
Equity component	(1,299)	(2,745)	(16,507)	(20,551)
Liability component at date of issue	70,901	12,455	78,665	162,021
Liability component at 1 January 2008	72,174	–	–	72,174
Liability component at date of issue	–	12,455	–	12,455
Interest charged (note 11)	6,785	49	–	6,834
Repayment during the year	(5,026)	–	–	(5,026)
Liability component at 31 December 2008 and 1 January 2009	73,933	12,504	–	86,437
Liability component at date of issue	–	–	78,665	78,665
Interest charged (note 11)	1,720	1,510	7,143	10,373
Repayment during the year	(75,653)	(1,153)	(5,604)	(82,410)
Converted into ordinary shares of the Company	–	(3,907)	(22,944)	(26,851)
Liability component at 31 December 2009	–	8,954	57,260	66,214

The interest charged for the year for CN1, CN2 and CN3 are calculated by applying effective interest rates of 9.30%, 14.01% and 13.00% (2008: 9.30% and 14.35%) respectively to the liability components since the loan notes were issued.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group:

	Intangible assets HK$'000 (restated)
At 1 January 2008	11,804
Reversal due to impairment loss on intangible assets – initial recognition (note 19)	(187)
Effect of change in tax rate (note 12)	2,359
At 31 December 2008 and 1 January 2009	13,976
Reversal due to impairment loss on intangible assets – initial recognition (note 19)	(11,617)
– change of tax rate (note 12)	(2,359)
	(13,976)
At 31 December 2009	–

At 31 December 2009, the Group has unused tax losses of approximately HK$138,574,000 (2008: HK$141,626,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses and other temporary differences due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$47,837,000 (2008: HK$50,888,000) that will be expired from 2009 to 2012. Other losses and temporary differences may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares of HK$0.01 each		**Number of shares of HK$0.1 each**		**Share capital**	
	2009 **'000**	2008 '000	**2009** **'000**	2008 '000	**2009** **HK$'000**	2008 HK$'000
Authorised:						
At beginning of the year	**10,000,000**	10,000,000	**–**	–	**100,000**	–
Share consolidation (note)	**(10,000,000)**	–	**1,000,000**	–	**–**	–
Capital increase (note)	**–**	–	**9,000,000**	–	**900,000**	–
At end of the year	**–**	10,000,000	**10,000,000**	–	**1,000,000**	100,000
Issued and fully paid:						
At beginning of the year	**3,865,898**	3,865,898	**–**	–	**38,659**	38,659
Issue of shares on conversion of convertible loans (note 32)	**1,031,250**	–	**–**	–	**10,312**	–
Share consolidation (note)	**(4,897,148)**	–	**489,715**	–	**–**	–
At end of the year	**–**	3,865,898	**489,715**	–	**48,971**	38,659

Note: Pursuant to the resolutions passed at the special general meeting held on 29 September 2009, ten shares of HK$0.01 each of the issued and unissued share capital of the Company were consolidated into one share of HK$0.10 and the authorized share capital of the Company were increased from HK$100,000,000 divided into 10,000,000,000 shares (or 1,000,000,000 consolidated shares) to HK$1,000,000,000 divided into 100,000,000,000 shares (or 10,000,000,000 consolidated shares). The capital increase and the share consolidation became effective on 29 September 2009 and 30 September 2009 respectively. After the capital reorganization, the authorized share capital of the Company became HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each.

35. 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 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 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, the subsidiary which was acquired by the Company pursuant to the group reorganization in 1996, and

– The effects of the capital reduction, share premium cancellation and elimination of accumulated losses, took place in 1999.

(iii) Convertible loans reserve

The convertible loans reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognsied in accordance with the accounting policy adopted for convertible loans in note 5(o).

(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 5(o).

(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 5(o).

36. 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 the contribution to the success of the Group's operations. All outstanding options granted under the Old Scheme continue to 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 issued at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a 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.

The exercise price of the share options 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.

36. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2009 are as follows:

Old scheme

Date of grant	Exercisable period	Exercise price per share HK$ (note)	Number of share options: Outstanding at 1 January 2009 (note)	Lapsed during the year	Outstanding at 31 December 2009
Category: Directors					
30.11.2006	30.11.2006 to 29.11.2011	0.9500	**190,000**	**–**	**190,000**
08.05.2007(C)	08.05.2007 to 07.05.2012	2.4200	**1,000,000**	**(1,000,000)**	**–**
25.05.2007	25.11.2007 to 24.05.2012	2.9000	**2,000,000**	**(2,000,000)**	**–**
Category: Employees					
08.05.2007(A)	08.05.2007 to 07.05.2012	2.4200	**740,000**	**(250,000)**	**490,000**
08.05.2007(B)	08.05.2008 to 07.05.2012	2.4200	**900,000**	**(350,000)**	**550,000**
Category: Consultants					
01.11.2004	01.11.2004 to 31.10.2009	0.8600	**2,500,000**	**(2,500,000)**	**–**
31.07.2006	31.07.2006 to 30.07.2011	0.9100	**28,000,000**	**–**	**28,000,000**
08.05.2007(C)	08.05.2007 to 07.05.2012	2.4200	**24,300,000**	**–**	**24,300,000**
Total all categories			**59,630,000**	**(6,100,000)**	**53,530,000**
Exercisable at the end of the year					**53,530,000**
Weighted average exercise price (HK$)			**1.6570**	**1.9380**	**1.6249**

36. SHARE-BASED PAYMENTS (Continued)

New scheme

Date of grant	Exercisable period	Exercise price per share HK$ (note)	Number of share options: Outstanding at 1 January 2009 (note)	Lapsed during the year	Outstanding at 31 December 2009
Category: Employees					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	–	3,600,000
08.11.2007	08.11.2007 to 07.11.2012	2.1200	200,000	–	200,000
Category: Consultants					
06.08.2007(C)	06.08.2007 to 05.08.2009	3.0700	1,500,000	(1,500,000)	–
09.10.2007	09.10.2007 to 08.10.2012	1.8000	22,800,000	–	22,800,000
Total all categories			28,100,000	(1,500,000)	26,600,000
Exercisable at the end of the year					26,600,000
Weighted average exercise price (HK$)			1.8700	3.0700	1.8020

36. SHARE-BASED PAYMENTS (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2008 are as follows:

Old scheme

Date of grant	Exercisable period	Exercise price per share HK$ (restated)	Number of share options: Outstanding at 1 January 2008 (restated)	Lapsed during the year (restated)	Outstanding at 31 December 2008 (restated)
Category: Directors					
27.11.2003	27.11.2003 to 26.11.2008	0.8800	350,000	(350,000)	–
30.11.2006	30.11.2006 to 29.11.2011	0.9500	190,000	–	190,000
08.05.2007(C)	08.05.2007 to 07.05.2012	2.4200	2,000,000	(1,000,000)	1,000,000
25.05.2007	25.11.2007 to 24.05.2012	2.9000	2,000,000	–	2,000,000
Category: Employees					
08.05.2007(A)	08.05.2007 to 07.05.2012	2.4200	790,000	(50,000)	740,000
08.05.2007(B)	08.05.2008 to 07.05.2012	2.4200	950,000	(50,000)	900,000
Category: Consultants					
27.11.2003	27.11.2003 to 26.11.2008	0.8800	2,337,500	(2,337,500)	–
01.11.2004	01.11.2004 to 31.10.2009	0.8600	2,500,000	–	2,500,000
31.07.2006	31.07.2006 to 30.07.2011	0.9100	28,000,000	–	28,000,000
08.05.2007(C)	08.05.2007 to 07.05.2012	2.4200	24,300,000	–	24,300,000
Total all categories			63,417,500	(3,787,500)	59,630,000
Exercisable at the end of the year					59,630,000
Weighted average exercise price (HK$)			1.6370	1.3270	1.6570

36. SHARE-BASED PAYMENTS (Continued)

New scheme

Date of grant	Exercisable period	Exercise price per share HK$ (restated)	Number of share options: Outstanding at 1 January 2008 (restated)	Granted during the year (restated)	Lapsed during the year (restated)	Outstanding At 31 December 2008 (restated)
Category: Directors						
06.08.2007(A)	06.12.2007 to 05.08.2009	3.0700	1,000,000	–	(1,000,000)	–
06.08.2007(B)	06.03.2008 to 05.08.2009	3.0700	1,000,000	–	(1,000,000)	–
05.05.2008	05.05.2008 to 04.05.2009	1.9000	–	850,000	(850,000)	–
Category: Employees						
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	–	–	3,600,000
08.11.2007	08.11.2007 to 07.11.2012	2.1200	200,000	–	–	200,000
Category: Consultants						
06.08.2007(C)	06.08.2007 to 05.08.2009	3.0700	1,500,000	–	–	1,500,000
09.10.2007	09.10.2007 to 08.10.2012	1.8000	22,800,000	–	–	22,800,000
Total all categories			30,100,000	850,000	(2,850,000)	28,100,000
Exercisable at the end of the year						28,100,000
Weighted average exercise price (HK$)			1.9500	1.9000	2.7210	1.8700

Note: On 29 September 2009, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK$0.10.

No share option granted was exercised during the year ended 31 December 2009 and 2008.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 1.93 years (2008: 3.12 years)

No equity-settled employees benefit (including directors' emoluments) was recognised for the year ended 31 December 2009 (2008: HK$1,234,000).

36. SHARE-BASED PAYMENTS (Continued)

Share options were granted to certain consultants pursuant to the consultancy agreements entered into between LifeTec Holdings, and each of the consultants for a period of five years commencing from the respective dates of the consultancy agreements as consideration for the below 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.

During the years ended 31 December 2008, share option was granted by the Company on the below grant dates. The estimated fair values of the share options on those dates are determined using the Blackscholes model or Binomial models when appropriate. The respective fair values and significant inputs to the models are as follows:

For the year ended 31 December 2008

New Scheme

	Share option grant date 5 May 2008 (restated)
Fair value at the grant date	HK$157,000
Number of share options granted	850,000
Share price at the grant date	HK$0.980
Exercise price	HK$1.900
Expected volatility	96.4%
Expected life	1 year
Risk free rate	1.2%
Expected dividend yield	–

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

Total consideration received during the year ended 31 December 2008 from directors, employees and consultants for accepting the options granted amounted to HK$1.

37. CONTINGENT LIABILITIES

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

38. 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:

	2009 **HK$'000**	2008 HK$'000
Within one year	**6,143**	9,451
In the second to fifth year inclusive	**6,620**	16,850
More than five years	**373**	–
	13,136	26,301

Leases relate to directors' quarters, warehouse facilities and office premises and are negotiated for average terms of one to six (2008: one to four) years and rentals are fixed throughout the terms of respective leases.

39. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of a subsidiary	**5,000**	5,000
Acquisition of the beneficial rights to drugs under development (note)	**–**	5,679
Acquisition of property, plant and equipment	**1,241**	5,149
Establishment of jointly controlled entities	**–**	971
	6,241	16,799

Note:

The Group obtained supplementary agreements from the counter parties to waive the capital commitments for the acquisition of the beneficial rights to drugs under development.

40. GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY

As set out in note 31, on 25 October 2008, the Preference Shares were automatically converted into 900 new ordinary shares of US$1 each of LT Game, a wholly-owned subsidiary of the Company ("Automatic Conversion"). The issuance of new ordinary shares of LT Game represents approximately 22% of the existing issued share capital of LT Game and 18% of the issued share capital of LT Game as enlarged by the Automatic Conversion. The Subscriber is an independent third party. As a result of the issuance of new ordinary shares of LT Game, the Group's shareholding in LT Game has been diluted to 82% and resulted in a gain of approximately HK$15,600,000 is recognised in the consolidated income statement for the year ended 31 December 2008.

41. RETIREMENT BENEFITS SCHEMES

The Group operates 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 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 2009, the total retirement benefits scheme contributions charged to the consolidated income statement amounted to approximately HK$661,000 (2008: HK$568,000).

42. RELATED PARTY TRANSACTIONS

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

	Directors		**Associate**		**Related party**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Consultancy fees paid to (note a & b)	**–**	–	**–**	–	**221**	534
Salaries and allowances paid to (notes b & c)	**–**	–	**–**	–	**1,200**	1,200
Amount due from (note d & e)	**–**	–	**9,301**	9,185	**–**	–
Amount(s) due to (note c & d)	**6,508**	1,550	**–**	–	**2,106**	58

42. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

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

(c) The related party is the spouse of a director, Mr. Jay Chun.

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

(e) Approximately HK$116,000 (2008: HK$187,000) impairment has been made for the year for the amount due from an associate as set out in note 13.

(f) The Group's obligations under finance leases as set out in note 29 are secured by the personal guarantee executed by a director, Mr. Jay Chun.

43. SUBSIDIARIES

Particulars of the Group' subsidiaries as at 31 December 2009 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	
Anica Limited	British Virgin Islands	US$50,000	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Assets Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Inactive
Beijing Bafang Liyuan Science and Technology Co., Ltd. (note b)	PRC	US$140,000	Registered Capital	95%	–	100%	Inactive
CTI Limited	Hong Kong	HK$10	Ordinary	70%	–	70%	Inactive
Gold Corner International Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Gold Eagle Technology Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive

43. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2009 are as follows: (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	
Golden Butterfly Investments Limited	British Virgin Islands	US$100	Ordinary	95%	–	95%	Investment holding
Hainan Kangwei Medicine Co., Ltd. (note a)	PRC	RMB2,000,000	Registered capital	98.5%	–	100%	Trading of biopharmaceutical products
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	100%	–	100%	Inactive
LGH Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Provision of management services
LifeTec Group (China) Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
LifeTec (Holdings) Limited	British Virgin Islands	HK$141,176	Ordinary	100%	100%	–	Investment holding
LifeTec Pharmaceutical Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding

43. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2009 are as follows: (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	
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
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 of electronic gaming system
LT Global Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	100%	–	100%	Provision of management service and operation of electronic gaming system
LT Union Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Master Mind Technology Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Shanghai Youheng Biotechnology Limited (note b)	PRC	HK$5,600,000	Registered capital	95%	–	100%	Research and development of biopharmaceutical products

43. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2009 are as follows: (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	
Sino Flow Investments Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Sunny Link Trading Limited	Hong Kong	HK$2	Ordinary	100%	–	100%	Inactive
Weihai Genen Biotech Limited (note b)	PRC	US$2,000,000	Registered capital	100%	–	100%	Research and development of biopharmaceutical products
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	100%	–	100%	Inactive
Zhuhai Caijing Software Technology Co., Ltd. (note b)	PRC	RMB500,000	Registered capital	100%	–	100%	Inactive

Notes:

(a) The subsidiary is established in the PRC as a domestic enterprise.

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

(c) Apart from Hainan Kangwei, Shanghai Youheng Biotechnology Limited and Weihai Genen Biotech Limited which carry out their principal activities in the PRC; and LT Game and LT Macau which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

44. MAJOR NON-CASH TRANSACTION

Included in the additions in property, plant and equipment of approximately HK$8,314,000 (2008: HK$26,725,000) was settled through the advances to consulting companies during the year ended 31 December 2009.

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 January 2010, the Company entered into subscription agreements with three independent third parties. Pursuant to the subscription agreements I, II and III, the Company agreed to issue and the independent third parties agreed to subscribe the Company's convertible debentures in an aggregate principal amount of HK$116,000,000, US$85,500,000 (or approximately HK$662,625,000) and US$1,000,000 (or approximately HK$7,750,000) respectively.

The subscriptions were approved by the Company's shareholders at a special general meeting held on 1 April 2010. The subscriptions for agreement I and III were completed on 14 April 2010 and 20 April 2010 respectively. For the subscription agreement II, the Company has received a partial payment for HK$88,700,000 and agreed the subscription shall be completed on or before 21 October 2010.

Details of the above 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.

(b) On 30 March 2010, in connection with the Company's convertible debentures in an aggregate amount of HK$112 million (the "Existing Convertible Debentures"), the Company executed the Supplemental Instruments to vary and amend the terms and conditions of the Existing Convertible Debentures by providing for early redemption of the Existing Convertible Debentures at the discretion of the Company.

Details of the above are set out in the Company's announcement dated 30 March 2010.

(c) On 16 April 2010, the Company refunded the Earnest Money, together with interest thereon at the agreed rate of 8% per annum calculated from 11 January 2010 to 16 April 2010, to C Y Foundation Group Limited ("C Y Foundation") in connection with the Subscription Agreement entered into between the Company and C Y Foundation. Following the aforesaid refund, neither party has any claim or liability arising from the termination of the Subscription Agreement.

Details of the above are set out in the Company's circular dated 11 September 2009 and announcements dated 31 December 2009, 11 January 2010 and 19 April 2010.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current asset		
Investments in subsidiaries	510,348	499,882
Current assets		
Other debtors, deposits and prepayments	154	89
Bank and cash balances	5	6
	159	95
Current liabilities		
Other creditors and accrued charges	2,560	792
Amounts due to directors	713	847
Other borrowings – due within one year	21,689	–
Convertible loans – due within one year	–	73,933
	24,962	75,572
Net current liabilities	(24,803)	(75,477)
Total assets less current liabilities	485,545	424,405
Non-current liabilities		
Convertible loans – due after one year	66,214	12,504
Net assets	419,331	411,901
Capital and reserves		
Share capital	48,971	38,659
Reserves	370,360	373,242
Total equity	419,331	411,901

Financial Summary

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000 (restated)	2008 HK$'000 (restated)	**2009** **HK$'000**
RESULTS					
Turnover	85,478	94,669	130,519	219,329	**325,224**
Loss before tax	(23,203)	(47,745)	(205,022)	(96,896)	**(169,598)**
Income tax expenses	(1,197)	73	(374)	(2,545)	**2,359**
Loss for the year	(24,400)	(47,672)	(205,396)	(99,441)	**(167,239)**
Attributable to:					
Owners of the Company	(24,095)	(47,704)	(205,396)	(99,441)	**(167,234)**
Non-controlling interests	(305)	32	–	–	**(5)**
	(24,400)	(47,672)	(205,396)	(99,441)	**(167,239)**

ASSETS AND LIABILITIES

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000 (restated)	2008 HK$'000 (restated)	**2009** **HK$'000**
Total assets	257,222	301,716	435,947	390,200	**239,646**
Total liabilities	(34,654)	(87,698)	(189,615)	(230,729)	**(207,912)**
Total equity	222,568	214,018	246,332	159,471	**31,734**