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

Annual Report
2010

* *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
Mr. HU Liming
Mr. Frank HU*
Mr. LI John Zongyang*
Mr. KUAN Hin Meng*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, CPA

SOLICITORS

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

AUDITORS

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

PRINCIPAL OFFICE

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

PRINCIPAL BANKERS

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

Chairman's Statement

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 2010.

BUSINESS REVIEW

2010 was a year of progress for the Group. We recorded a stable increase in revenue by 15% from approximately HK$325,224,000 for the year ended 31 December 2009 to approximately HK$374,000,000 for the year ended 31 December 2010. The Group's net loss decreased by 55.3% from approximately HK$167,239,000 in 2009 to approximately HK$74,775,000 in 2010.

Gaming Business

Gaming market in Macau has experienced tremendous growth in the last few years. In year 2010, we saw the rise in visitation to Macau and the improvement of market sentiment. 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 71.4% of the Group's total revenue in the year 2010, as compared to 61.7% in 2009. The gaming revenue has seen a very strong growth, from approximately HK$200,821,000 in 2009 to approximately HK$267,174,000 in 2010, representing an increase of 33.0%. Gaming business showed a turn from loss of approximately HK$4,055,000 in 2009 to profit of approximately HK$9,166,000.

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 geographic advantage, we expect a notable improvement in our performance in the coming years.

Biopharmaceutical Business

The revenue of biopharmaceutical business decreased from approximately HK$124,403,000 for 2009 to approximately HK$106,826,000 for 2010. Net loss narrowed by 99.7% from approximately HK$128,270,000 for 2009 to approximately HK$400,000 for 2010, mainly due to impairment charges made to certain assets of the biopharmaceutical business in 2009.

We have experienced continued challenges resulting from medical reform in Mainland China. In view of this, the Group will widen the spectrum of sales items and expand the market so as to reposition our presence in biopharmaceutical business.

Prospects

The year 2011 is expected to be a rewarding year for the Group with more favorable economic environment and continued support from the government of the People's Republic of China. We are well-positioned to compete favorably 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.

Chairman's Statement

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated resources and external borrowing through the issuance of the convertible debentures. As at 31 December 2010, the Group did not have any bank borrowings. The Group's cash and bank balances as at 31 December 2010 had substantially increased to approximately HK$83,431,000 from approximately HK$44,853,000.

As at 31 December 2010, the Group's borrowings, finance leases, liability components of convertible loans and promissory note stood at approximately HK$18,992,000, HK$4,781,000, HK$129,178,000 and HK$119,472,000, respectively, of which borrowings of HK$18,992,000 and finance leases of HK$4,781,000 were payable within 12 months. Current liabilities of the Group decreased from HK$132,498,000 to HK$100,030,000, representing a decrease of approximately 24.5%. The Group's total liabilities increased from HK$207,912,000 to HK$348,680,000, representing an increase of approximately 67.7%. The Group's total assets increased from HK$239,646,000 to HK$472,890,000. The percentage of total liabilities to total assets as at 31 December 2010 stood at 73.7% which is lower than 86.8% as at 31 December 2009.

As at 31 December 2010, the cash on hand and available financial resources are 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, the expenses of the headquarters are denominated in Hong Kong dollars ("HK$") and are financed by funds raised in Hong Kong dollars. Due to the relatively matched position among Hong Kong, Macau and the PRC and the stability of the exchange rates between RMB and HK$ and between MOP and HK$, the directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2010, the assets of the Group which were subject to charges for securing obligations under finance leases comprised gaming machines with net book value amounting to approximately HK$5,460,000 (2009: nil). During the year, a finance lease in respect of a motor vehicle was completed. The net book value of the motor vehicle as at 31 December 2010 was HK$87,000 (2009: HK$348,000).

Organization and Staff

The Group had 420 staff (2009: 305) as at 31 December 2010. Majority of the staff are marketing and promotion executives in Macau and sales and marketing executives in China. The Group is actively seeking talent in Macau, Hong Kong and China in order to cope with the fast growing operations.

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

Material acquisitions

The Group has acquired a patent in relation to a betting terminal system which constituted a very substantial acquisition and connected transaction of the Company during the year ended 31 December 2010.

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, 30 March 2011

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 47, 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 20 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 48, 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 23 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.

Mr. Hu Liming, aged 46, was appointed as an Executive Director on 30 November 2010. He is currently the Managing Director of Standind (Shanghai) Co. Ltd. and has over 20 years of experience in corporate management, business development as well as sales and marketing. Mr. Hu obtained his Bachelor degree in engineering from Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 49, is a seasoned banker and businessman with over 23 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 55, 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 several reputable companies. 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. Kuan Hin Meng, aged 52, was appointed as an Independent Non-executive Director and a member of the Company's audit committee and remuneration committee on 28 June 2010. He is currently engaged in trading of jewellery, pawn–broking and investment and has over 30 years of experience in investment and management. Mr. Kuan joined the Group in June 2010.

SENIOR MANAGEMENT

Mr. Zhu Weixiong, aged 55, 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 28 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 39, 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.

Directors' Report

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 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development and sales 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 2010 are set out in the consolidated statement of comprehensive income on page 20 and 21.

The state of the Group's affairs at 31 December 2010 is set out in the consolidated statement of financial position on pages 22 and 23.

DIVIDEND

No interim dividend was paid during the year ended 31 December 2010.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 29 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 30 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 SHINEWING (HK) CPA Limited ("SHINEWING") was then appointed as auditors of the Company. The consolidated financial statements for the year ended 31 December 2008 were audited by SHINEWING.

Messrs. 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. The consolidated financial statements for the years ended 31 December 2010 and 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 (resigned on 1 September 2010)
Mr. Wong, Porfirio Hau Yan Samson (appointed on 1 September 2010 and resigned on 30 November 2010)
Mr. Hu Liming (appointed on 30 November 2010)

Independent non-executive directors:

Mr. Frank Hu
Mr. Li John Zongyang
Mr. Hu Wenxiang (resigned on 28 June 2010)
Mr. Kuan Hin Meng (appointed on 28 June 2010)

The biographical details of the directors of the Company and senior management of the Group are set out on pages 6 and 7.

In accordance with the Company’s Bye-laws, Mr. Jay Chun and Mr. Li John Zongyang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Jay Chun and Mr. Li John Zongyang 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

On 30 July 2010, the Group entered into an agreement with Mr. Jay Chun, an Executive Director of the Company, for acquisition of a patent in relation to a betting terminal system at a consideration of HK$280,000,000, satisfied by HK$30,000,000 in cash and the issue of a promissory note with principal value of HK$250,000,000. Details of which were disclosed in notes 16 and 27 to the consolidated financial statements.

On 10 August 2007, the Group entered into a conditional sale and purchase agreement with Mr. Hu Liming who was subsequently appointed as an Executive Director of the Company on 30 November 2010 for the acquisition of 80% equity interest in Shanghai Shengyou, a domestic enterprise with limited liability established in the PRC. The Group has paid a deposit of HK$7,800,000 for the acquisition and such deposit is being secured by the 49% equity interest in Shanghai Shengyou. As at the date of this report, the acquisition has not been completed, and the consideration and payment mechanism in respect of the acquisition are still under negotiation and not yet concluded. Details of which were disclosed in note 19 to the consolidated financial statements.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) [1]	Interests in underlying shares pursuant to equity derivatives [1]	Total interests in shares/underlying shares [1]	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	1,241,600		198,208,800	10.64%
	The Company	Interest of controlled corporation	196,967,200 [2]	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	180,975,800 [3]	–	180,975,800	9.71%

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.

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 2010.

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 31 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 1.1.2010	Granted during the year	Lapsed during the year	Outstanding at 31.12.2010
Old Share Option Scheme							
Dr. Ma Xianming alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	0.95	190,000	–	190,000	–

Note:

Dr. Ma Xianming, alias, Ma Yin Ming resigned on 1 September 2010 and the 190,000 options held by him lapsed after his resignation pursuant to the Old Share Option Scheme.

Existing Share Option Scheme

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

Nil (2009: Nil) has been charged to the consolidated statement of comprehensive income 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 299,365 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 4 June 2010 less the number of options granted on 29 January 2011.

For details of options held by other participants, please refer to note 31 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options Held by Directors" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors 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 2010, 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)	Approximate percentage of interests
August Profit Investments Limited	196,967,200	10.57%
Best Top Offshore Limited	180,975,800	9.71%

Note:

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

Save as disclosed above, as at 31 December 2010, 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 2010, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 85.4% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 71.4% of the Group's total turnover.

For the year ended 31 December 2010, the aggregate amount of cost of sales attributable to the Group's five largest suppliers accounted for approximately 84.8% of the Group's total cost of sales and the cost of sales attributable to the Group's largest supplier was approximately 42.8% 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 convertible loans issued, please refer to note 26 to the consolidated financial statements. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2010.

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 2010 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 14 to 17.

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

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 39 to the consolidated financial statements.

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, 30 March 2011

Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code throughout the year ended 31 December 2010 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they 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 2010, 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 (resigned on 1 September 2010)	0/2
Mr. Wong, Porfirio Hau Yan Samson (appointed on 1 September 2010 and resigned on 30 November 2010)	0/0
Mr. Hu Liming (appointed on 30 November 2010)	0/0
Independent Non-executive Directors	
Mr. Frank Hu	2/2
Mr. Li John Zongyang	2/2
Mr. Hu Wenxiang (resigned on 28 June 2010)	0/1
Mr. Kuan Hin Meng (appointed on 28 June 2010)	0/1

The Company has received annual confirmations of independence from Mr. Frank Hu, Mr. Li John Zongyang and Mr. Kuan Hin Meng 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 6 to 7 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.

Under E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company. The annual general meeting held on 4 June 2010 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 as he was engaged in other commitments 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 (resigned on 28 June 2010)	0/1
Mr. Kuan Hin Meng (appointed on 28 June 2010)	0/0

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	–
Total	700

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 (resigned on 28 June 2010)	0/1
Mr. Kuan Hin Meng (appointed on 28 June 2010)	0/1

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 2009 and the unaudited interim financial statements for the six months ended 30 June 2010, 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 2010.

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 2010 and for the year ended 31 December 2010, 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.

Independent Auditors' Report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE SHAREHOLDERS OF PARADISE ENTERTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 83, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Chan Kin Wai
Practising Certificate Number P05342

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

30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
TURNOVER	7	**374,000**	325,224
Cost of sales and services		**(231,569)**	(227,662)
Gross profit		**142,431**	97,562
Other operating income	8	**5,757**	3,143
Marketing, selling and distribution costs		**(68,020)**	(39,234)
Administrative expenses		**(94,596)**	(93,841)
Research and development cost		**–**	(2,725)
Impairment loss for doubtful debts		**(107)**	(116)
Impairment loss on property, plant and equipment		**–**	(10,270)
Impairment loss on intangible assets		**–**	(66,837)
Impairment loss on payments for investments		**–**	(40,074)
Finance costs	9	**(30,690)**	(18,508)
Amortisation of intangible assets		**(4,046)**	–
Loss on early redemption of promissory note		**(24,226)**	–
(Loss) gain on derecognition of derivative financial instruments		**(1,278)**	1,302
Loss before tax		**(74,775)**	(169,598)
Income tax expenses	10	**–**	2,359
Loss for the year	11	**(74,775)**	(167,239)
Attributable to:			
Owners of the Company		**(74,774)**	(167,234)
Non-controlling interests		**(1)**	(5)
		(74,775)	(167,239)
Loss per share (HK cents)	14		
– Basic		**(7.61)**	(37.88)
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Loss for the year	11	**(74,775)**	(167,239)
Other comprehensive income			
Net gain (loss) recognised directly in equity			
Exchange translation differences		**2,624**	(186)
Total comprehensive income for the year, net of tax		**(72,151)**	(167,425)
Total comprehensive income attributable to:			
Owners of the Company		**(72,150)**	(167,420)
Non-controlling interests		**(1)**	(5)
		(72,151)	(167,425)
Loss per share (HK cents)	14		
– Basic		**(7.34)**	(37.92)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	**158,706**	154,574
Intangible assets	16	**178,020**	–
Interest in an associate	17	**–**	–
Payments for investments	18	**–**	–
Deposit paid for acquisition of a subsidiary	19	**7,800**	7,800
		344,526	162,374
Current assets			
Inventories	20	**151**	21
Debtors, deposits and prepayments	21	**44,782**	32,398
Bank and cash balances	22	**83,431**	44,853
		128,364	77,272
Current liabilities			
Creditors and accrued charges	23	**69,599**	62,710
Amounts due to directors	36	**2,141**	6,508
Amount due to a related party	36	**2,106**	2,106
Other borrowings – due within one year	24	**18,992**	58,515
Obligations under finance leases			
– due within one year	25	**4,781**	249
Current tax liabilities		**2,411**	2,410
		100,030	132,498
Net current assets (liabilities)		**28,334**	(55,226)
Total assets less current liabilities		**372,860**	107,148

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Other borrowings – due after one year	24	**–**	9,200
Convertible loans – due after one year	26	**129,178**	66,214
Promissory note	27	**119,472**	–
Deferred tax liabilities	28	**–**	–
		248,650	75,414
Net assets		**124,210**	31,734
Capital and reserves			
Share capital	29	**186,344**	48,971
Reserves		**(62,183)**	(17,287)
Equity attributable to owners of the Company		**124,161**	31,684
Non-controlling interests		**49**	50
Total equity		**124,210**	31,734

The consolidated financial statements on pages 20 to 83 were approved and authorised for issue by the Board of Directors on 30 March 2011 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 2010

	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 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
At 1 January 2010	**48,971**	**548,914**	**88,643**	**13,457**	**65,135**	**19,456**	**(752,892)**	**31,684**	**50**	**31,734**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**2,624**	**(74,774)**	**(72,150)**	**(1)**	**(72,151)**
Transfer of share option reserve upon the lapse of share options	**-**	**-**	**-**	**-**	**(73)**	**-**	**73**	**-**	**-**	**-**
Recognition of equity component of convertible loans	**-**	**-**	**-**	**31,492**	**-**	**-**	**-**	**31,492**	**-**	**31,492**
Issue of shares on conversion of convertible loans	**137,373**	**27,301**	**-**	**(24,493)**	**-**	**-**	**-**	**140,181**	**-**	**140,181**
Redemption of convertible loans	**-**	**-**	**-**	**(9,885)**	**-**	**-**	**2,839**	**(7,046)**	**-**	**(7,046)**
	137,373	**27,301**	**-**	**(2,886)**	**(73)**	**2,624**	**(71,862)**	**92,477**	**(1)**	**92,476**
At 31 December 2010	**186,344**	**576,215**	**88,643**	**10,571**	**65,062**	**22,080**	**(824,754)**	**124,161**	**49**	**124,210**

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITES		
Loss before tax	**(74,775)**	(169,598)
Adjustments for:		
Finance costs	**30,690**	18,508
Bank interest income	**(9)**	(7)
Interest income from consulting companies	**–**	(267)
Amortisation of intangible assets	**4,046**	–
Loss on early redemption of promissory note	**24,226**	–
Loss (gain) on derecognition of derivative financial instruments	**1,278**	(1,302)
Impairment loss for amount due from an associate	**107**	116
Impairment loss for amount due from a non-controlling shareholder of a subsidiary	**–**	55
Impairment loss on property, plant and equipment	**–**	10,270
Impairment loss on intangible assets	**–**	66,837
Impairment loss on payments for investments	**–**	40,074
Depreciation of property, plant and equipment	**25,197**	32,307
(Gain) loss on disposal of property, plant and equipment	**(4,357)**	2,606
Operating cash flows before movements in working capital	**6,403**	(401)
(Increase) decrease in inventories	**(126)**	172
Increase in debtors, deposits and prepayments	**(27,818)**	(8,780)
Decrease in advances to consulting companies	**–**	21,016
Increase (decrease) in creditors and accrued charges	**2,685**	(15,507)
Cash used in operations	**(18,856)**	(3,500)
Income taxes paid	**(85)**	(184)
NET CASH USED IN OPERATING ACTIVITIES	**(18,941)**	(3,684)
INVESTING ACTIVITIES		
Purchases of intangible assets	**(31,352)**	–
Purchases of property, plant and equipment	**(33,958)**	(36,718)
Proceeds from disposal of property, plant and equipment	**9,033**	9
Interest received	**9**	7
NET CASH USED IN INVESTING ACTIVITIES	**(56,268)**	(36,702)

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITES		
Proceeds from other borrowings raised	**19,750**	36,028
Proceeds from issue of convertible loans	**274,852**	95,000
Interest paid	**(10,375)**	(12,968)
Repayment of other borrowings	**(54,650)**	(7,500)
Proceeds from (repayment of) obligations under finance leases	**4,376**	(257)
Redemption of promissory note	**(61,000)**	–
Interest in amounts due (from) to directors	**(4,381)**	4,958
Interest paid on obligations under finance leases	**(7)**	(22)
Increase in amount due to a related party	**–**	2,048
Redemption of convertible loans	**(58,000)**	(76,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**110,565**	41,287
NET INCREASE IN CASH AND CASH EQUIVALENTS	**35,356**	901
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**44,853**	43,954
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,222**	(2)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**83,431**	44,853
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	**83,431**	44,853

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 17 and 37 respectively.

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

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 January 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adoptors
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Int 4 (Amendment)	Lease – Determination of the Length of Lease Term in Respect of Hong Kong Land Leases
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

HKAS 12 (Amendment)	*Deferred Tax: Recovery of Underlying Asset* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [4]
HKAS 32 (Amendment)	*Classification of Rights Issues* [2]
HKFRSs (Amendment)	*Improvement to HKFRSs 2010 except for the amendments to HKFRS 3 (revised in 2008), HKFRS 7, HKAS 1 and HKAS 28* [1]
HKFRS 1 (Amendment)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [3]
HKFRS 1 (Amendment)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [5]
HKFRS 9	*Financial Instruments* [7]
HK (IFRIC) – Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement* [4]
HK (IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [3]

[1] Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective fer annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 July 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] 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 and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments, which are measured at fair values, are explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Certain comparative figures of prior years have been re-presented to conform with the current year's presentation.

(c) Subsidiaries and non-controlling interests

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

(d) Investments in associates

An associate is an entity in which the Group or Company has significant influence. But not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition

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

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

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

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

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

(f) Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account 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.

(g) Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee

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

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

(h) Leasehold land and building

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

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Borrowing costs

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

(k) Retirement benefit costs

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

(l) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Intangible assets

Intangible assets acquired separately

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

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

(n) Research and development expenditure

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

(o) Inventories

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

(p) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL 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 which they arise.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

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, obligations under finance leases, convertible loans and promissory note are subsequently measured at amortised cost, using the effective interest method.

Convertible loans

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (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.

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

At 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

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.

(q) 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.

4. 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 statement of comprehensive income.

(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.

(d) Share-based payment expenses

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Measurement of promissory note

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the other borrowings and convertible loans as disclosed in notes 24 and 26 respectively, bank and cash balances and equity of the Company, comprising issued share capital disclosed in note 29 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.

6. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

The Group's major financial instruments include debtors and deposits; bank and cash balances; creditors and accrued charges; amounts due to directors; amount due to a related party; other borrowings; obligations under finance leases, convertible loans and promissory note. 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 cash flow. 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, convertible loans and promissory note. The bank deposits bear interests at variable rates varied with the prevailing market condition. The other borrowings, obligations under finance leases, convertible loans and promissory note bear interests at fixed rates and therefore expose the Group to fair value interest rate risks.

6. FINANCIAL RISK MANAGEMENT (Continued)

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

Market risk (Continued)

(b) Interest rate risk (Continued)

The Group's result is not sensitive to changes in interest rate as the Group's other borrowings, obligations under finance leases, convertible loans and promissory note 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.

Credit risk

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

The Group has no significant concentrations of credit risk.

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

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

Liquidity risk

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

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

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

6. FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

	Weighted average effective interest rate %	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2010						
Creditors and accrued charges	–	69,599	–	–	69,599	69,599
Amounts due to directors	–	2,141	–	–	2,141	2,141
Amount due to a related party	–	2,106	–	–	2,106	2,106
Other borrowings	4.24%	19,153	–	–	19,153	18,992
Obligations under finance leases	–	4,781	–	–	4,781	4,781
Convertible loans	6.74%	10,608	10,608	141,768	162,984	129,178
Promissory note	12.29%	–	–	189,000	189,000	119,472
		108,388	10,608	330,768	449,764	346,269
At 31 December 2009						
Creditors and accrued charges	–	62,710	–	–	62,710	62,710
Amounts due to directors	–	6,508	–	–	6,508	6,508
Amount due to a related party	–	2,106	–	–	2,106	2,106
Other borrowings	12.60%	64,598	9,836	–	74,434	67,715
Obligations under finance leases	7.13%	256	–	–	256	249
Convertible loans	13.14%	6,320	6,320	91,640	104,280	66,214
		142,498	16,156	91,640	250,294	205,502

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.

6. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities (Continued)

The carrying amounts of financial assets and financial liabilities (excluding liability components 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 components 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

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Loan and receivables		
– debtors and deposits	**43,608**	30,851
– bank and cash balances	**83,431**	44,853
	127,039	75,704
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**69,599**	62,710
– amounts due to directors	**2,141**	6,508
– amount due to a related party	**2,106**	2,106
– other borrowings	**18,992**	67,715
– obligations under finance leases	**4,781**	249
– promissory note	**119,472**	–
Convertible loans	**129,178**	66,214
	346,269	205,502

7. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) 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 2010 and 2009, respectively.

(a) Business segments

For the year ended 31 December 2010

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue				
Revenue from external customers	106,826	267,174	–	374,000
Segment results	(400)	9,166	1,201	9,967
Unallocated corporate expenses				(24,502)
Finance costs				(30,690)
Amortisation of intangible assets				(4,046)
Loss on early redemption of promissory note				(24,226)
Loss on derecognition of derivative financial instruments				(1,278)
Loss before tax				(74,775)
Income tax expenses				–
Loss for the year				(74,775)

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2010

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	16,417	259,278	19	275,714
Unallocated assets				197,176
Total assets				472,890
Liabilities				
Segment liabilities	34,500	44,629	58	79,187
Unallocated liabilities				269,493
Total liabilities				348,680
Other information				
Capital expenditures	4	33,954	–	33,958
Amortisation of intangible assets	–	4,046	–	4,046
Depreciation of property, plant and equipment	212	24,606	379	25,197
Impairment loss for amount due from an associate	–	–	107	107

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2009

	Biopharmaceutical 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)	(4,055)	2,135	(130,190)
Unallocated corporate expenses				(22,202)
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)

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2009

	Biophar-maceutical 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	466	45,497	14	45,977
Depreciation of property, plant and equipment	7,016	24,849	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

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Revenue		Total assets		Capital expenditures	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The PRC and Hong Kong	**106,826**	124,403	**213,900**	40,715	**19**	503
Macau	**267,174**	200,821	**258,990**	198,931	**33,939**	45,474
	374,000	325,224	**472,890**	239,646	**33,958**	45,977

8. OTHER OPERATING INCOME

	2010	2009
	HK$'000	HK$'000
Bank interest income	**9**	7
Interest income from consulting companies	**–**	267
Gain on disposal of property, plant and equipment	**4,357**	–
Rental income	**720**	720
Net exchange gains	**91**	110
Sundry income	**580**	2,039
	5,757	3,143

9. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interests on:		
Other borrowings wholly repayable within five years	**4,627**	8,069
Obligations under finance leases wholly repayable within five years	**7**	22
Bank overdraft	**–**	44
Effective interests on:		
Convertible loans (note 26)	**20,524**	10,373
Promissory note (note 27)	**5,532**	–
	30,690	18,508

10. INCOME TAX EXPENSES

	2010 HK$'000	2009 HK$'000
Current tax		
– current year	–	–
Deferred tax		
– attributable to a change in tax rate	–	(2,359)
	–	(2,359)

(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

The Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% except that certain subsidiaries which are enjoying tax holiday will continue until expiry and the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd ("Hainan Kangwei") continues to be taxed under preferential tax rates.

Pursuant to the notice issued by the PRC tax authorities, the applicable tax rate for 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% (2009: 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 or had available tax loss to off-set against assessable profits during both years.

(iii) Macau Complementary Tax

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profits during both years.

10. INCOME TAX EXPENSES (Continued)

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

	2010 **HK$'000**	2009 HK$'000
Loss before tax	**(74,775)**	(169,598)
Tax at Macau Complementary Tax rate of 12% (2009: PRC Enterprise Income tax rate of 25%)	**(8,973)**	(42,400)
Tax effect of expenses not deductible for tax purpose	**26,014**	33,965
Tax effect of income not taxable for tax purpose	**(8,411)**	(349)
Tax effect of temporary differences not recognised	**(5,235)**	–
Tax effect of tax losses not recognised	**927**	4,043
Utilisation of tax losses previously not recognised	**(783)**	–
Reversal of deferred tax liabilities resulting from an increase in applicable tax rate	**–**	(2,359)
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,539)**	4,741
Income tax expenses	**–**	(2,359)

The tax rate for tax reconciliation above changed from 25% to 12% during the year because the Group's Macau operation became the Group's main operation.

11. LOSS FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging:		
Auditors' remuneration	**700**	700
Cost of inventories recognised as expenses	**97,524**	112,514
Depreciation of property, plant and equipment	**25,197**	32,307
Direct operating expenses in respect of an investment property that did not generate rental income	**57**	61
Operating lease rentals paid in respect of rented premises	**5,268**	5,423
Amortisation of intangible assets	**4,046**	–
Impairment loss on property, plant and equipment	**–**	10,270
Impairment loss on intangible assets	**–**	66,837
Impairment loss on payments for investments	**–**	40,074
Impairment loss for amount due from an associate	**107**	116
Impairment loss for amount due from a non-controlling shareholder of a subsidiary	**–**	55
Staff costs		
– Directors' emoluments (note 12)	**6,556**	6,630
– Other staffs		
– Salaries and other benefits	**33,131**	30,297
– Retirement benefits scheme contributions	**701**	645
Total staff costs	**40,388**	37,572

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2010

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefits HK$'000	Shared-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	2,268	1,296	–	12	3,576
Mr. Shan Shiyong, alias, Sin Sai Yung	–	2,400	–	–	12	2,412
Dr. Ma Xianming, alias, Ma Yin Ming (note a)	–	138	–	–	–	138
Mr. Wong, Porfirio Hau Yan Samson (note b & c)	–	60	–	–	–	60
Mr. Hu Liming (note d)	–	10	–	–	–	10
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	–	120
Mr. Hu Wenxiang (note e)	59	–	–	–	–	59
Mr. Kuan Hin Meng (note f)	61	–	–	–	–	61
Total	360	4,876	1,296	–	24	6,556

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

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$'000	Shared-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	2,268	1,380	–	12	3,660
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	1,380	–	16	6,630

Notes:

(a) Resigned on 1 September 2010
(b) Appointed on 1 September 2010
(c) Resigned on 30 November 2010
(d) Appointed on 30 November 2010
(e) Resigned on 28 June 2010
(f) Appointed on 28 June 2010

No director waived or agreed to waive any emoluments during two years ended 31 December 2010 and 2009.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group during the year included two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of remaining three (2009: three) individual are set out below:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**2,463**	2,355
Retirement benefit scheme contributions	**12**	12
	2,475	2,367

Their emoluments were within the following band:

	2010 **Number of individuals**	2009 Number of individuals
0 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

During two years ended 31 December 2010 and 2009, 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.

13. DIVIDENDS

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

14. LOSS PER SHARE

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

	2010 HK$'000	2009 HK$'000
For the purpose of calculating basic loss per share		
– Loss for the year	**(74,774)**	(167,234)
– Total comprehensive income for the year	**(72,150)**	(167,420)

	2010	2009
Number of shares		
Issued ordinary shares at 1 January	**489,714,791**	3,865,897,919
Effect of conversion of convertible loans	**493,368,793**	548,972,603
Share consolidation	**–**	(3,973,383,470)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**983,083,584**	441,487,052

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2010 and 2009, no diluted loss per share was presented for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2009	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
Additions	–	12,572	7,287	14,099	–	33,958
Disposals	(1,300)	–	(11,575)	–	–	(12,875)
Exchange realignment	–	102	1,323	35	54	1,514
At 31 December 2010	–	118,861	120,496	27,048	4,825	271,230
Depreciation and impairment loss						
At 1 January 2009	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
Provided for the year	7	5,891	16,951	1,726	622	25,197
Disposals	(363)	–	(7,836)	–	–	(8,199)
Exchange realignment	–	90	1,317	24	36	1,467
At 31 December 2010	–	21,677	81,467	5,480	3,900	112,524
Carrying values						
At 31 December 2010	–	97,184	39,029	21,568	925	158,706
At 31 December 2009	944	90,491	52,426	9,184	1,529	154,574

15. 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%

As at 31 December 2010, the assets of the Group which were subject to charges for securing obligations under finance leases comprised gaming machines with net book value amounting to approximately HK$5,460,000 (2009: nil). During the year, a finance lease in respect of a motor vehicle was completed. The net book value of the motor vehicle as at 31 December 2010 was HK$87,000 (2009: HK$348,000).

16. INTANGIBLE ASSETS

	Patents – biophar-maceutical products (note (a)) HK$'000	Patent – betting terminal system (note (b)) HK$'000	Beneficial rights to drugs under development (note (c)) HK$'000	Total HK$'000
Cost				
At 1 January 2009	4,705	–	90,379	95,084
Exchange realignment	–	–	(178)	(178)
Reversal of deferred tax liabilities initially recognised	–	–	(11,617)	(11,617)
At 31 December 2009	4,705	–	78,584	83,289
Additions	–	182,066	–	182,066
Written off	–	–	(78,584)	(78,584)
At 31 December 2010	4,705	182,066	–	186,771
Amortisation and impairment				
At 1 January 2009	4,705	–	11,747	16,452
Impairment loss	–	–	66,837	66,837
At 31 December 2009	4,705	–	78,584	83,289
Amortisation for the year	–	4,046	–	4,046
Written off	–	–	(78,584)	(78,584)
At 31 December 2010	4,705	4,046	–	8,751
Carrying amount				
At 31 December 2010	–	178,020	–	178,020
At 31 December 2009	–	–	–	–

Notes:

(a) Patents representing the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products, which were fully amortised in prior years.

16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) The patent is related to a computerised system (the "System") for operating multi gambling games. The System was installed at Casino Kam Pek Paradise in Macau and pursuant to the income-sharing arrangement with Sociedade de Jogos de Macau ("SJM"), revenue generating from net gaming win is shared between the Group and SJM.

The patent was acquired during the year from Mr Jay Chun, the Chairman of the Company, for a total consideration of HK$280,000,000 comprising cash of HK$30,000,000 and a promissory note of HK$250,000,000.

The fair value of the patent as at the acquisition date was determined at HK$288,000,000 by the directors of the Company with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the directors of the Company and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method (note 27) and the capitalised transaction cost of the issuance of the promissory note. The patent is amortised over its useful life of 15 years using the straight line method.

The directors of the Company conducted an impairment assessment and considered that there was no impairment to the carrying amount of the patent as at the end of the reporting period, with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

(c) Beneficial rights to drugs under development represent the costs incurred by the Group in acquiring certain know-how and technologies in drugs, which were not yet ready for sale at time of acquisition.

Full provision for impairment in respect of these intangible assets had been recognised in the Group's financial statements for the year ended 31 December 2009. During the current year, the Group conducted an assessment on these beneficial rights and concluded that the costs and provision for impairment of these drugs should be completely written off in view that there is no future marketing prospect.

17. INTEREST IN AN ASSOCIATE

	2010 **HK$'000**	2009 HK$'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	**9,408**	9,301
	9,408	9,301
Less: Impairment loss for amount due from an associate	**(9,408)**	(9,301)
	–	–

17. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the Group's associate as at 31 December 2010 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:

	2010	2009
	HK$'000	HK$'000
At 31 December		
Total assets	**3,938**	4,531
Total liabilities	**(11,258)**	(11,231)
Net liabilities	**(7,320)**	(6,700)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**–**	13
Total loss for the year	**(83)**	(314)

The Group has not recognised loss for the year amounting to approximately HK$39,000 (2009: HK$149,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,123,000 (2009: HK$2,084,000).

18. PAYMENTS FOR INVESTMENTS

	2010 HK$'000	2009 HK$'000
Deposits paid for the acquisition of beneficial rights to drugs under development	**63,385**	63,385
Consultancy fees for soliciting the drugs under development projects capitalised	**1,356**	1,356
	64,741	64,741
Less: Accumulated impairment losses	**–**	(64,741)
Written off	**(64,741)**	–
	–	–

Payments for investments represent deposits paid by the Group to relevant vendors for the acquisition of beneficial rights to drugs under development, with application approval not yet obtained, and relevant consultancy fees capitalised under the development stage of these drugs.

Full provision for impairment in respect of these investment payments had been recognised in the Group's financial statements for the year ended 31 December 2009. During the current year, the Group conducted an assessment on the respective beneficial rights and concluded that the costs and provision for impairment in respect of these drugs should be completely written off in view that there is no future marketing prospect.

19. 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 Mr. Hu Liming (an Executive Director of the Company since 30 November 2010) for the acquisition of 80% equity interest in Shanghai Shengyou Network Technology Co., Ltd. ("Shanghai Shengyou") at a cash consideration of HK$12,800,000. Shanghai Shengyou 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 2010 and 2009 represents the deposit paid by the Group for the acquisition. Such deposit is secured by 49% equity interest in Shanghai Shengyou.

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

20. INVENTORIES

	2010 HK$'000	2009 HK$'000
Finished goods	**151**	21

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	2010 **HK$'000**	2009 HK$'000
Trade debtors	**39,471**	32,719
Less: Accumulated impairment loss	**(10,301)**	(10,301)
	29,170	22,418
Other debtors, deposits and prepayments	**15,612**	9,980
	44,782	32,398

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:

	2010 **HK$'000**	2009 HK$'000
Within 30 days	**23,798**	15,232
31 – 60 days	**4,420**	5,907
61 – 90 days	**952**	1,279
	29,170	22,418

22. BANK AND CASH BALANCES

	2010 **HK$'000**	2009 HK$'000
Cash at bank (note)	**16,338**	9,943
Cash chips in hand	**62,553**	16,455
Cash in hand	**4,540**	18,455
	83,431	44,853

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

As at 31 December 2010, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$2,531,000 (2009: HK$3,698,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

23. CREDITORS AND ACCRUED CHARGES

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

	2010 **HK$'000**	2009 HK$'000
Within 30 days	**6,236**	7,356
31 – 60 days	**4,098**	2,713
61 – 90 days	**1,456**	3,605
91 – 365 days	**12**	5,703
More than 365 days	**2**	249
Trade creditors	**11,804**	19,626
Other creditors and accrued charges	**49,027**	34,671
Value added tax payable	**8,768**	8,413
	69,599	62,710

24. OTHER BORROWINGS

	2010 **HK$'000**	2009 HK$'000
Unsecured	**18,992**	67,715
Carrying amount repayable:		
On demand or within one year	**18,992**	58,515
More than one year, but not exceeding two years	**–**	9,200
	18,992	67,715
Less: Amounts due for settlement within one year (shown under current liabilities)	**(18,992)**	(58,515)
Amounts due for settlement after one year	**–**	9,200

Other borrowings are denominated in Hong Kong dollars and are loans from independent third parties which bear fixed interest rates ranging from 2% to 15% (2009: 2% to 18%) per annum.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,781**	256	**4,781**	249
More than one year, but not exceeding two years	**–**	–	**–**	–
	4,781	256	**4,781**	249
Less: Future finance charges	**–**	(7)	**–**	N/A
Present value of lease obligations	**4,781**	249	**4,781**	249
Less: Amounts due for settlement within one year (shown under current liabilities)			**(4,781)**	(249)
Amounts due for settlement after one year			**–**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4.5 years and interest rates are fixed at the contract dates. During the year ended 31 December 2010, such finance leases were completed.

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

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

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

26. 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 Group's announcement dated 23 October 2007.

26. CONVERTIBLE LOANS (Continued)

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 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 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.

On 30 March 2010, in connection with CN2 and CN3 in an aggregate amount of HK$112,000,000, the Company executed the Supplemental Instruments to vary and amend the terms and conditions of CN2 and CN3 by providing for early redemption of CN2 and CN3 at the discretion of the Company. The outstanding CN2 and CN3 were redeemed in April 2010 accordingly.

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

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of HK$116,000,000 on 14 April 2010 ("CN4") to Edison International Inc. ("Edison"). Edison is entitled to convert the principal amount in whole or in part of HK$116,000,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the Closing Price of the Shares of any three consecutive Trading Days (as selected by the Debenture Holder) within the sixty Trading Days immediately prior to the Conversion Date and (ii) the par value for the time being of the Shares, which is HK$0.10, and at any time between the date of issue of CN4 and 31 December 2014. If CN4 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN4 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 CN4 are provided 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.

26. CONVERTIBLE LOANS (Continued)

Pursuant to a subscription agreement dated 20 January 2010, the Company agreed to issue convertible notes with principal value of US$85,500,000 (or approximately HK$662,625,000) on 21 April 2010 ("CN5") to Pioneer Link Associates Limited ("Pioneer Link"). Pioneer Link is entitled to convert the principal amount in whole or in part of HK$662,625,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the Closing Price of the Shares of any three consecutive Trading Days (as selected by the Debenture Holder) within the sixty Trading Days immediately prior to the Conversion Date and (ii) the par value for the time being of the Shares, which is HK$0.10, and at any time between the date of issue of CN5 and 31 December 2014. If CN5 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN5 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 CN5 are provided in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010 and 23 April 2010.

On 21 April 2010, the Company has received a partial payment of HK$88,700,000 for CN5. Pioneer Link has failed to complete the subscription agreement within the intended completion date of 21 April 2010. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2010.

On 21 October 2010, the Company has received an aggregate amount of HK$138,500,000 representing part payment of the consideration for CN5. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2011.

On 19 November 2010, the Company has received an aggregate amount of HK$153,500,000 representing part payment of the consideration for CN5. There is still an outstanding of HK$509,125,000 subscription monies remained unpaid by Pioneer Link pursuant to CN5. Details are provided in the Company's announcements dated 21 October 2010, 2 November 2010 and 19 November 2010, respectively.

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of US$1,000,000 (or approximately HK$7,750,000) on 20 April 2010 ("CN6") to Trueworthy Group Limited ("Trueworthy"). Trueworthy is entitled to convert the principal amount in whole or in part of HK$7,750,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the Closing Price of the Shares of any three consecutive Trading Days (as selected by the Debenture Holder) within the sixty Trading Days immediately prior to the Conversion Date and (ii) the par value for the time being of the Shares, which is HK$0.10, and at any time between the date of issue of CN6 and 31 December 2014. If CN6 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN6 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 CN6 are provided 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.

The fair values of the debt element and the conversion options element of "CN4", "CN5" and "CN6" are determined by the directors of the Company with reference to the valuation performed by Ample Appraisal Limited, an independent firm of professional valuers on discounted cash flow method.

26. CONVERTIBLE LOANS (Continued)

The net proceeds received from the issue of CN1, CN2, CN3, CN4, CN5 and CN6 have been split between the liability components and equity components, as follows:

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	CN4 HK$'000	CN5 HK$'000	CN6 HK$'000	Total HK$'000
Nominal values of convertible loans issued	76,000	16,000	96,000	116,000	153,500	7,752	465,252
Transaction costs	(3,800)	(800)	(828)	(2,050)	–	–	(7,478)
Equity components	(1,299)	(2,745)	(16,507)	(16,933)	(13,777)	(1,132)	(52,393)
Liability components at date of issue	70,901	12,455	78,665	97,017	139,723	6,620	405,381
Liability components at 1 January 2009	73,933	12,504	–	–	–	–	86,437
Liability components at date of issue	–	–	78,665	–	–	–	78,665
Interest charged (note 9)	1,720	1,510	7,143	–	–	–	10,373
Interest paid	(1,898)	(1,153)	(5,604)	–	–	–	(8,655)
Redemption during the year	(73,755)	–	–	–	–	–	(73,755)
Converted into ordinary shares of the Company	–	(3,907)	(22,944)	–	–	–	(26,851)
Liability components at 31 December 2009 and 1 January 2010	–	8,954	57,260	–	–	–	66,214
Liability components at date of issue	–	–	–	97,017	139,723	6,620	243,360
Interest charged (note 9)	–	423	2,507	6,923	10,069	602	20,524
Interest paid	–	(257)	(1,527)	(4,803)	(4,034)	(441)	(11,062)
Redemption during the year	–	(9,120)	(40,557)	–	–	–	(49,677)
Converted into ordinary shares of the Company	–	–	(17,683)	(51,854)	(70,644)	–	(140,181)
Liability components at 31 December 2010	–	–	–	47,283	75,114	6,781	129,178

The interest charged for the year for CN1, CN2, CN3, CN4, CN5 and CN6 are calculated by applying effective interest rates of 9.30%, 14.01%, 13.00%, 6.64%, 6.23% and 11.92% (2009: 9.30%, 14.01%, 13.00%, nil, nil and nil) respectively to the liability components since the convertible loans were issued.

27. PROMISSORY NOTE

On 20 September 2010, the Group issued a Promissory Note with a principal amount of HK$250,000,000 to Mr. Jay Chun as part of the consideration for the acquisition of a Patent in relation to a betting terminal system. The Promissory Note is unsecured, non-interest bearing and has a maturity period of 4 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company. Early redemption of the Promissory Note shall be subject to discount of the outstanding principal account as follow: 8% within the first year, 6% within the second year, 4% within the third year and 2% within the forth year.

	2010 HK$'000
At date of issue (note i)	150,714
Interest charged (note 9)	5,532
Early redemption during the year (note ii)	(36,774)
At 31 December	119,472

Notes:

(i) The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 12.29% per annum.

(ii) During the year ended 31 December 2010, the Group repaid part of the principal amount of HK$61,000,000. The loss on early redemption was the difference between the repaid principal amount and the respective carrying amount at the date of redemption totalling HK$36,774,000.

28. DEFERRED TAX LIABILITIES

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

	HK$'000
At 1 January 2009	13,976
Reversal due to impairment loss on intangible assets – initial recognition	(11,617)
– change of tax rate	(2,359)
	(13,976)
At 31 December 2009, 1 January 2010 and 31 December 2010	–

At 31 December 2010, the Group has unused tax losses of approximately HK$183,636,000 (2009: HK$138,574,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$126,220,000 (2009: HK$47,837,000) that will be expired from 2010 to 2013. Other losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares of HK$0.01 each		Number of shares of HK$0.10 each		Share capital	
	2010	2009	**2010**	2009	**2010**	2009
	'000	'000	**'000**	'000	**'000**	'000
Authorized:						
At beginning of the year	**–**	10,000,000	**10,000,000**	–	**1,000,000**	100,000
Share consolidation	**–**	(10,000,000)	**–**	1,000,000	**–**	–
Capital increase	**–**	–	**–**	9,000,000	**–**	900,000
At end of the year	**–**	–	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:						
At beginning of the year	**–**	3,865,898	**489,715**	–	**48,971**	38,659
Issue of shares on conversion of convertible loans (note 26)	**–**	1,031,250	**1,373,730**	–	**137,373**	10,312
Share consolidation	**–**	(4,897,148)	**–**	489,715	**–**	–
At end of the year	**–**	–	**1,863,445**	489,715	**186,344**	48,971

30. RESERVES

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price on 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 reorganisation 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 recognised in accordance with the accounting policy adopted for convertible loans in note 3(p).

(iv) Option reserve

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

(v) Translation reserve

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

31. 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.

31. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

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.

Details of the movements in the Company's share options during the year ended 31 December 2010 are as follows:

Old scheme

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price per share** HK$	**Outstanding at 1 January 2010**	**Lapsed during the year**	**Outstanding at 31 December 2010**
Category: Directors					
30.11.2006	30.11.2006 to 29.11.2011	0.9500	**190,000**	**(190,000)**	**–**
Category: Employees					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	**490,000**	**–**	**490,000**
08.05.2007	08.05.2008 to 07.05.2012	2.4200	**550,000**	**–**	**550,000**
Category: Consultants					
31.07.2006	31.07.2006 to 30.07.2011	0.9100	**28,000,000**	**–**	**28,000,000**
08.05.2007	08.05.2007 to 07.05.2012	2.4200	**24,300,000**	**–**	**24,300,000**
Total all categories			**53,530,000**	**(190,000)**	**53,340,000**
Exercisable at the end of the year					**53,340,000**
Weighted average exercise price (HK$)			**1.6249**	**0.9500**	**1.6273**

31. SHARE-BASED PAYMENTS (Continued)

New scheme

			Number of share options		
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2010	Lapsed during the year	Outstanding at 31 December 2010
Category: Directors					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	**3,600,000**	**–**	**3,600,000**
08.11.2007	08.11.2008 to 07.11.2012	2.1200	**200,000**	**–**	**200,000**
Category: Consultants					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	**22,800,000**	**–**	**22,800,000**
Total all categories			**26,600,000**	**–**	**26,600,000**
Exercisable at the end of the year					**26,600,000**
Weighted average exercise price (HK$)			**1.8020**	**–**	**1.8020**

31. SHARE-BASED PAYMENTS (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$	Number of share options: Outstanding at 1 January 2009	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	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	08.05.2007 to 07.05.2012	2.4200	740,000	(250,000)	490,000
08.05.2007	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	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

31. SHARE-BASED PAYMENTS (Continued)

New scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2009	Lapsed during the year	Outstanding at 31 December 2009
Category: Directors					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	–	3,600,000
08.11.2007	08.11.2008 to 07.11.2012	2.1200	200,000	–	200,000
Category: Consultants					
06.08.2007	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

No share option granted was exercised during the years ended 31 December 2010 and 2009.

The share options outstanding at the end of the years have a weighted average remaining contractual life of 1.22 years (2009: 1.93 years).

No equity settled employees benefit (including directors' emoluments) was recognised for the years ended 31 December 2010 and 2009.

31. 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 following services to be provided by these consultants.

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

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

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

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

32. 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.

33. 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:

	2010 **HK$'000**	2009 HK$'000
Within one year	**5,916**	6,143
In the second to fifth year inclusive	**6,336**	6,620
More than five years	**–**	373
	12,252	13,136

Leases relate to directors' quarters, warehouse facilities and office premises and are negotiated for average terms of one to five (2009: one to six) years and rentals are fixed throughout the terms of respective leases.

34. CAPITAL COMMITMENTS

	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of a subsidiary	**5,000**	5,000
Acquisition of cash chips in hand	**419**	–
Acquisition of property, plant and equipment	**4,614**	1,241
	10,033	6,241

35. RETIREMENT BENEFITS SCHEME

The Group operated a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of 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 2010, the total retirement benefit scheme contributions charged to the consolidated income statement amounted to approximately HK$725,000 (2009: HK$661,000).

36. 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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Consultancy fees paid to (note a & b)	**-**	–	**-**	–	**424**	221
Salaries and other benefits paid to (notes b & c)	**-**	–	**-**	–	**1,200**	1,200
Purchase of intangible asset from (note d) (note 16)	**280,000**	–	**-**	–	**-**	–
Promissory note issued to (note d) (note 27)	**250,000**	–	**-**	–	**-**	–
Amount due from (note e & f)	**-**	–	**9,408**	9,301	**-**	–
Amount(s) due to (note c & e)	**2,141**	6,508	**-**	–	**2,106**	2,106

36. 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 director is Mr. Jay Chun.

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

(f) Approximately HK$107,000 (2009: HK$116,000) impairment has been made for the year for the amount due from an associate as set out in note 11.

37. SUBSIDIARIES

Particulars of the Group' subsidiaries as at 31 December 2010 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
Asset 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

37. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2010 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 and consulting 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
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
LT 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

37. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2010 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 Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Game Limited	British Virgin Islands	US$5,000	Ordinary	82%	–	82%	Development and operation of electronic gaming systems
LT Game (Canada) Limited	Canada	CAD100	Ordinary	100%	–	100%	Inactive
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
Natural Noble Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Acquisition of patent
Shanghai Youheng Biotechnology Limited (note b)	PRC	HK$5,600,000	Registered capital	95%	–	100%	Research and development of biopharmaceutical products
Sino Flow Investments Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Sunny Link Trading Limited	Hong Kong	HK$2	Ordinary	100%	–	100%	General trading

37. SUBSIDIARIES (Continued)

Particulars of the Group' subsidiaries as at 31 December 2010 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	
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 Beijing Bafang Liyuan Science and Technology Co., Ltd., Hainan Kangwei Medicine Co., Ltd., Shanghai Youheng Biotechnology Limited, Weihai Genen Biotech Limited and Zhuhai Caijing Software Technology Co., Ltd. which carry out their principal activities in the PRC; LT Game (Canada) Limited which carries out its principal activities in Canada; and LT Game Limited and LT (Macau) Limited which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

38. MAJOR NON-CASH TRANSACTION

Consideration for the acquisition of the Group's patent for the betting terminal system was partially satisfied by the issue of Promissory Note with a principal amount of HK$250,000,000 (Note 27).

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 January 2011, share options carrying the rights to subscribe for a total of 66,000,000 ordinary shares were granted to 4 individuals under the share option scheme at an exercise price of HK$0.10 per Share. The options are exercisable during the period commencing on 29 January 2011 and expiring on 28 January 2016. The options have not been exercised as at the date of this report.

39. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) On 7 February 2011, Good Note International Limited, the Company's subsidiary, has entered into an agreement with Unique Hero Development Limited and Nam Kwong (Hong Kong) Investment Management Limited, to acquire a possible of 5% and up to 100% equity interest in Nam Kwong (Hong Kong) Investment Management Limited which, to the best of the directors' knowledge, information and belief having made all reasonable enquiries, owns 38.412% equity interest in Chongqing Guo Xin Investment Holding Company Limited ("重慶國信投資控股有限公司"), which holds 66.99% of equity interest in Chongqing International Trust Company Limited ("重慶國際信托有限公司"), whose portfolio includes various banks, highway and bridge, real estate, investment funds and stock brokerage. The subsidiary may acquire the equity by itself, and/or jointly with other investors. The acquisition has not been completed as to the date of this report.

Details of the above are set out in the Company's announcements dated 31 January 2011 and 7 February 2011, respectively.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 HK$'000	2009 HK$'000
Non-current asset		
Interests in subsidiaries	**333,157**	510,348
Current assets		
Prepayments	**146**	154
Bank and cash balances	**9,414**	5
	9,560	159
Current liabilities		
Other creditors and accrued charges	**3,557**	2,588
Amounts due to directors	**627**	685
Other borrowings – due within one year	**12,000**	21,689
	16,184	24,962
Net current liabilities	**(6,624)**	(24,803)
Total assets less current liabilities	**326,533**	485,545
Non-current liabilities		
Convertible loans – due after one year	**129,178**	66,214
Net assets	**197,355**	419,331
Capital and reserves		
Share capital	**186,344**	48,971
Reserves	**11,011**	370,360
Total equity	**197,355**	419,331

Financial Summary

	For the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
RESULTS					
Turnover	94,669	130,519	219,329	325,224	**374,000**
Loss before tax	(47,745)	(205,022)	(96,896)	(169,598)	**(74,775)**
Income tax expenses	73	(374)	(2,545)	2,359	**–**
Loss for the year	(47,672)	(205,396)	(99,441)	(167,239)	**(74,775)**
Attributable to:					
Owners of the Company	(47,704)	(205,396)	(99,441)	(167,234)	**(74,774)**
Non-controlling interests	32	–	–	(5)	**(1)**
	(47,672)	(205,396)	(99,441)	(167,239)	**(74,775)**

ASSETS AND LIABILITIES

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	301,716	435,947	390,200	239,646	**472,890**
Total liabilities	(87,698)	(189,615)	(230,729)	(207,912)	**(348,680)**
Total equity	214,018	246,332	159,471	31,734	**124,210**