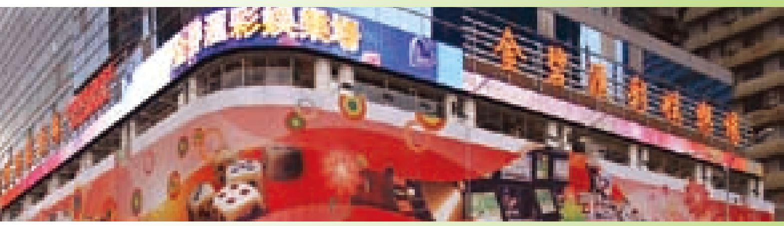
ANNUAL REPORT 2008



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

PARADISE

* *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, Mr. SIN Sai Yung
Dr. MA Xianming, alias, MA Yin Ming
Mr. Frank HU*
Mr. LI John Zongyang*
Mr. HU Wenxiang*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, CPA

SOLICITORS

Vincent T.K. Cheung, Yap & Co.

AUDITORS

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway
Hong Kong

PRINCIPAL OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) 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

Chairman's Statement

On behalf of the Board of Directors, I am delighted to present the annual report and audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW

During the year, the Group has made significant expansion in the gaming business in Macau. The gaming revenue has seen very strong growth in 2008. The turnover of gaming section increased by 470% from approximately HK$16,627,000 for the year 2007 to approximately HK$94,927,000 for the year 2008. We foresee this momentum will continue in the future. On the other segment of the Group, the biopharmaceutical business in China continued to see sales growth of 9%, year-over-year, from about HK$113,892,000 in 2007 to a record high of about HK$124,402,000 in 2008. Our biopharmaceutical operations in the PRC posted an operating loss of about HK$10,452,000 in 2008 (2007: HK$14,268,000), a decrease of 26.7% compared with that of the previous year.

Turnover and Profit

The Group reported a turnover of about HK$219,329,000 for the year ended 31 December 2008, representing an increase of 68% as compared to about HK$130,519,000 for the previous year. Overall, net loss decreased from HK$172,451,000 for 2007 to about HK$92,707,000 or 2.40 Hong Kong cents per share for the year ended 31 December 2008, compared to a net loss of about HK$172,451,000 or 5.07 Hong Kong cents per share for the previous year.

Gaming Business

The gaming business of Paradise Entertainment Limited is conducted through our subsidiaries, LT (Macau) Limited ("LT Macau") and LT Game Limited ("LT Game") which are the signing parties to the income-sharing collaboration agreements with casino operators and gaming concessionaire. The signing of collaboration agreement with Sociedade De Jogos De Macau, S.A. in August 2008 demonstrates our full confidence in the gaming market of Macau.

The year 2008 was an exciting year for the Group, a year marked with the expansion of the much-anticipated Casino Kam Pek Paradise previously known as Casino Paradise Entertainment in Macau. Casino Kam Pek Paradise, our flagship casino venue at San Kin Yip Commercial Center, adjacent to Lisboa Hotel & Casino and opposite to Wynn Resort, occupies over 100,000 sq. ft.. It offers the most exhilarating e-table and stimulating and inspired traditional table games.

We launched our new Paradise Box electronic gaming terminal, the world's first combined e-table and server-based slot terminal hybrid, with enormous success. E-table games offer live-dealer with a digital network of touch screen betting terminals with real time images of card dealing being broadcasted to the screens of the betting terminals. The LIVE baccarat system can largely enhance the productivity of a casino table as a dealer can serve more players with our system than a dealer at a traditional baccarat table. The number of our income-sharing terminals in Macau increased to over 500 terminals in 2008. It is anticipated that live-dealer sicbo, roulette and fish-prawn-crab games will be offered in the near future.

Chairman's Statement

Biopharmaceutical Business

The Group's biopharmaceutical business is conducted through LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). The turnover of LifeTec Pharmaceutical for the year ended 31 December 2008 increased from about HK$113,892,000 to about HK$124,402,000, representing a period-to-period rise of 9%. The cost control measures effectively reduced net loss for pharmaceutical section from about HK$14,268,000 for previous year to about HK$10,452,000 for the year ended 31 December 2008.

Marketing, Sales and Distribution

Based on the integrated direct sales team and other measures adopted in 2008, the Company adjusted or replaced sales agents in a number of cities with poor sales performance, and resulted in a dramatic increase in sales of Wei Jia. The distribution network of generic drugs has also been further developed, with steady growth in sales volume.

Research and Development

Wei Jia

Our Wei Jia preparation method has been awarded the invention patent certificate by the State Intellectual Property Office in 2008 for a term up to 28 March 2023, thus consolidated our leading position in the field of Hepatocyte Growth Promoting Factors.

Generic Drugs

In 2008, the Company has two generic drugs passed the technical review of the State Food and Drug Administration ("SFDA"), and expected to obtain the production approval in the near future. Other generic drugs have been submitted for the review of the SFDA, or in their final preparation stages before such submission.

Prospects

We have seen strong demand for our gaming system in the international market. A number of casino operators in the United States, Europe and Asia have indicated their keen interest in installing the LIVE Baccarat system in their casinos. During the year, our LIVE Baccarat system has been installed in different casinos in Asia. It presents a new driver to the future growth of our Group. To strengthen our presence in the electronic gaming industry, we will participate in a number of gaming trade shows to exhibit our new gaming products in Macau, the United States and Europe.

Gaming revenue from VIP and mass market table gaming operations posted a stable growth. The tightening of visa application for Mainland residents to Macau in recent months has an adverse impact on Macau's economy, we consider our results in 2008 to be satisfactory among our competitors.

In view of the general economic conditions and in particular the challenges to our business, we strive to maintain sustainable growth of gaming revenue in Macau and expand our business into the global gaming market.

Apart from gaming section, pharmaceutical section is also our main source of turnover. It is expected that the approval from SFDA for production of generic drugs will be available in the near future and in turn the turnover and production pipeline of the Group will be increased significantly.

Liquidity and Financial Resources

As at the balance sheet date, the Group's aggregate borrowings and finance leases stood at about HK$49,541,000 of which about HK$10,286,000 was payable within 12 months and about HK$39,255,000 was payable between 2 to 5 years. Current liabilities of the Group increased from about HK$105,131,000 to about HK$164,994,000, representing an increase of 57%. The position of the Group has changed from net current assets of about HK$63,323,000 for last year to net current liabilities of about HK$56,038,000 as at the balance sheet date. The Group's total liabilities at the balance sheet date amounted to about HK$233,516,000 (2007: HK$191,218,000). The Group's total assets at the balance sheet date amounted to about HK$432,666,000 (2007: HK$470,495,000). Accordingly, the percentage of total liabilities to total assets as at 31 December 2008 stood at 54% which is higher than the corresponding figure of 41% as of 31 December 2007.

As at 31 December 2008, the cash on hand and available financial resources are sufficient for financing ongoing activities of the Group.

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

Charges on Group Assets

As at 31 December 2008, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with net book value amounting to about HK$608,000 (2007: HK$869,000).

Organization and Staff

The Group has about 287 staff in total as at the balance sheet date. The majority of the staff includes staff of the Group's gaming business in Macau and sales and marketing executives located in China. The Group is actively seeking key personnel to join the sales and marketing as well as the research and development team in Macau in order to cope with the rapid growing operations.

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

APPRECIATION

On behalf of the Board of Directors of the Company, 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

Hong Kong, 24 April 2009

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 45, 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 18 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, Mr. Sin Sai Yung, aged 46, 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 21 years of dedicated business, investment and management experience at the owner level. Mr. Shan joined the Group and was appointed as an Executive Director in October 1998. He became Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Dr. Ma Xianming, alias, Dr. Ma Yin Ming, aged 43, holds a doctoral degree in accounting as well as a bachelor and a master degree in economics from the Central South University. He is an accounting and financial expert and has been appointed as a member of the Auditing Standards Drafting Committee of the China Institute of Certified Public Accountants and as the leader of the Chinese Expert Advisory Group on accounting issues in connection with Asian Development Bank sponsored projects in China. He has also held senior financial positions in the commercial field and over 19 years of management and investment experience. He joined the Group as an Independent Non-executive Director in September 2001 and was re-designated as an Executive Director in August 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 47, is a seasoned banker and businessman with over 21 years of experience. He holds a bachelor degree in politics from New York University and is currently the chief executive officer of a major private group in Hong Kong. He joined the Group in July 1999.

Mr. Li John Zongyang, aged 53, has rich and versatile background in the financial, business and corporate environment in the Asia pacific region. Before coming back to Asia, Mr. Li worked for 10 years with a leading investment management company in London, Framlington Investment Management Company Limited, where he served as a Senior Fund Manager and the Head of the Asia Pacific region. Mr. Li had served as the Chief Executive Officer of the Hong Kong-listed Kai Yuan Holdings Limited (Stock Code: 1215) from April 2007 to February 2008, the Chairman and Chief Executive Officer of Singapore-listed Auston International Group Limited from August 2005 to December 2006, the Chief Financial Officer and executive director of Singapore-listed Panpac Media Group Limited (now known as The Lexicon Group Limited) from April 2004 to May 2005, the Co-Chief Executive Officer of Nasdaq-quoted company Sun New Media Inc. (now known as Nextmart Inc.) from February 2006 to June 2006 and the Executive Director of London AIM-listed Sun 3C Media Plc. (now known as CEC Unet Plc.) from July 2006 to December 2006. Mr. Li holds a Bachelor degree in Economics from Peking University and a Master of Business Administration degree from Middlesex University Business School in London. Mr. Li joined the Group in September 2007.

Mr. Hu Wenxiang, aged 52, has over 20 years of experience in trading, management and investment. He has been the general manager and director of several trading companies and investment companies. Mr. Hu graduated from Qingdao University in the People's Republic of China. Mr. Hu joined the Company in November 2008.

SENIOR MANAGEMENT

Mr. Zhu Weixiong, aged 53, 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 26 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.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development, sale of biopharmaceutical products and sale of live baccart betting units, development and operation of electronic gaming systems.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 25.

The state of the Group's affairs at 31 December 2008 is set out in the consolidated balance sheet on pages 26 and 27.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTY

Compensation for sum of HK$8,310,000 was received from the government for resuming occupation of an investment property of the Group during the year. Profit on disposal for sum of HK$3,460,000 was accounted for during the year accordingly.

SHARE CAPITAL

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 28 and in note 35 to the consolidated financial statements.

CHANGE IN AUDITORS

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

Directors' Report

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)	
Mr. Law Wing Kit, Stephen	(Resigned on 7 August 2008)
Mr. Park Aaron Changmin	(Resigned on 1 December 2008)

Independent non-executive directors:

Mr. Frank Hu	
Ms. Ma Shiwei	(Resigned on 21 November 2008)
Mr. Li John Zongyang	
Mr. Hu Wenxiang	(Appointed on 21 November 2008)

The biographical details of the directors of the Company and senior management of the Group are set out on pages 8 and 9.

In accordance with the Company's Bye-laws, Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Jay Chun, Mr. Shan Shiyong, alias, Sin Sai Yung and Dr. Ma Xianming, alias, Ma Yin Ming does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The terms of office of each independent non-executive director is a period up to his retirement by rotation in accordance with the Company's Bye-laws.

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

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2008, 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	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	12,416,000		430,488,000	11.14%
	The Company	Interest of controlled corporation	418,072,000 [(2)]	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	360,758,000 [(3)]	–	360,758,000	9.33%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner	6,722,000	1,900,000	8,622,000	0.22%
Mr. Park Aaron Changmin	The Company	Beneficial owner	1,666,000	30,000,000 [(4)]	31,666,000	0.82%

Notes:

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

(2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.

(3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.

(4) Mr. Park Aaron Changmin resigned as an Executive Director of the Company on 1 December 2008 and these options were lapsed on 28 February 2009.

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 2008.

SHARE OPTIONS HELD BY DIRECTORS

On 30 July 2007, the Company terminated the share option scheme of the Company adopted on 15 July 2002 (the "Old Share Option Scheme") and 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 34 to the 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 1.1.2008	Granted during the year	Lapsed during the year	Outstanding at 31.12.2008	
Old Share Option Scheme								
Jay Chun	27.11.2003	27.11.2003 to 26.11.2008	0.088	2,500,000	–	2,500,000	–	
Ma Xianming Alias, Ma Yin Ming	27.11.2003	27.11.2003 to 26.11.2008	0.088	1,000,000	–	1,000,000	–	
Ma Xianming Alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	0.095	1,900,000	–	–	1,900,000	
Law Wing Kit, Stephen	08.05.2007	08.05.2007 to 07.05.2012	0.242	10,000,000	–	10,000,000	–	(Note 1)
Park Aaron Changmin	08.05.2007	08.05.2007 to 07.05.2012	0.242	10,000,000		–	10,000,000	(Note 2)
Park Aaron Changmin	25.05.2007	25.11.2007 to 24.05.2012	0.290	20,000,000		–	20,000,000	(Note 2)
Sub-total				45,400,000	–	13,500,000	31,900,000	
Existing Share Option Scheme								
Category: Directors								
Law Wing Kit, Stephen	06.08.2007	06.12.2007 to 05.08.2009	0.307	10,000,000	–	10,000,000	–	(Note 1)
Law Wing Kit, Stephen	06.08.2007	06.03.2008 to 05.08.2009	0.307	10,000,000	–	10,000,000	–	(Note 1)
Park Aaron Changmin	05.05.2008	05.05.2008 to 04.05.2009	0.190	–	8,500,000	8,500,000	–	(Note 2)
Sub-total				20,000,000	8,500,000	28,500,000	–	
TOTAL				65,400,000	8,500,000	42,000,000	31,900,000	

Note:

(1) Mr. Law Wing Kit, Stephen resigned as an Executive Director of the Company on 7 August 2008. Options granted under the Old Share Option Scheme were lapsed on 6 November 2008 and options granted under the Existing Share Option Scheme were lapsed on 7 August 2008.

(2) Mr. Park Aaron Changmin resigned as an Executive Director of the Company on 1 December 2008, Options granted under the Old Share Option Scheme were lapsed on 28 February 2009 and options granted under the Existing Share Option Scheme were lapsed on 1 December 2008.

The fair value of the 8,500,000 options granted to directors on 5 May 2008 measured on the date of grant amounted to approximately HK$157,000. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

		5 May 2008
1)	Expected volatility based on historical volatility of share prices	96.4%
2)	Expected annual dividend yield, based on historical dividends	–
3)	Expected life of options	1 years
4)	Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	1.2%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The closing price of the Company's shares on 5 May 2008, the date on which options were granted to the directors during the year, was HK$0.098 per share respectively.

HK$375,000 and HK$157,000 have been charged to the consolidated income statement for the year in respect of the value of options granted to directors in 2007 and during the year respectively

As at the date of this report, the total number of options available for issue under the Existing Share Option Scheme is 47,089,791 options, representing 10% of the shares of the Company in issue as at the date of adoption of the Existing Share Option Scheme on 30 July 2007 less the number of options granted under the Existing Share Option Scheme.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options" 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 2008, 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	418,072,000	10.81%
Best Top Offshore Limited	360,758,000	9.33%

Note:

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

Save as disclosed above, as at 31 December 2008, 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 2008, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 51.6% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 20.7% of the Group's total turnover.

For the year ended 31 December 2008, the aggregate amount of purchase attributable to the Group's five largest suppliers accounted for approximately 70.5% of the Group's total purchase and the purchase attributable to the Group's largest supplier was approximately 25.7% of the Group's total purchase.

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", the Company has issued warrants and convertible loans during the year. For details of warrants and convertible loans issued during the year, please refer to Note 30 and Note 32 to the consolidated financial statements respectively. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2008.

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 2008 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 17 to 21.

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

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.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Jay Chun
Chairman

Hong Kong, 24 April 2009

Corporate Governance Report

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2008 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director.

As at 31 December 2008, 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, Shan Sai Yung	0/2	
Dr. Ma Xianming, alias, Ma Yin Ming	0/2	
Mr. Law Wing Kit, Stephen	1/1	(Note 1)
Mr. Park Aaron Changmin	2/2	(Note 2)
Independent Non-executive Directors		
Mr. Frank Hu	2/2	
Ms. Ma Shiwei	1/2	(Note 3)
Mr. Li John Zongyang	2/2	
Mr. Hu Wenxiang	0/0	(Note 4)

Notes:

1. Mr. Law Wing Kit, Stephen resigned as an Executive Director of the Company on 7 August 2008.

2. Mr. Park Aaron Changmin resigned as an Executive Director of the Company on 1 December 2008.

3. Ms. Ma Shiwei resigned as an Independent Non-executive Director of the Company on 21 November 2008.

4. Mr. Hu Wenxiang was appointed as an Independent Non-executive Director of the Company on 21 November 2008.

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

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 8 to 9 of this annual report respectively.

CHAIRMAN AND MANAGING DIRECTOR

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

The annual general meeting held on 26 May 2008 was chaired by Mr. Park Aaron Changmin, one of the Company's Executive Directors, instead of Mr. Jay Chun, the Chairman of the Board. Mr. Jay Chun did not attend the annual general meeting 2008 as he was engaged in other commitments of the Company. In accordance with the Code, Mr. Jay Chun should attend the annual general meeting of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, only one of the three 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
Ms. Ma Shiwei	1/1 (Note 1)
Mr. Hu Wenxiang	0/0 (Note 2)

Notes:

(1) Ms. Ma Shiwei resigned as an Independent Non-executive Director of the Company on 21 November 2008.

(2) Mr. Hu Wenxiang was appointed as an Independent Non-executive Director of the Company on 21 November 2008.

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

NOMINATION OF DIRECTORS

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

AUDITORS' REMUNERATION

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

Services rendered for the Group	HK$'000
Audit services	700
Non-audit services	
– Taxation services	50
– Other professional services	152
Total	902

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
Ms. Ma Shiwei	1/2 (Note 1)
Mr. Li John Zongyang	2/2
Mr. Hu Wenxiang	0/0 (Note 2)

Notes:

(1) Ms. Ma Shiwei resigned as an Independent Non-executive Director of the Company on 21 November 2008.

(2) Mr. Hu Wenxiang was appointed as an Independent Non-executive Director of the Company on 21 November 2008.

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

– reviewed with the management and the external auditors the audited financial statements for the year ended 31 December 2007 and the unaudited interim financial statements for the six months ended 30 June 2008, 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 financial statements for the year ended 31 December 2008.

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.

Corporate Governance Report

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts 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 accounts for the six months ended 30 June 2008 and for the year ended 31 December 2008, the directors have adopted suitable accounting policies and applied them consistently. The accounts 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 AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

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

We were engaged to audit the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 91, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis of opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS OF OPINION

1. Scope limitation – Impairment of intangible assets, payments for investments, property, plant and equipment and deferred tax liabilities in connection with the Group's biopharmaceutical business

   In connection with the Group's biopharmaceutical business, the Group had intangible assets of approximately HK$90,566,000 stated, and in the consolidated balance sheet as at 31 December 2008 relating to beneficial rights to drugs under development not yet available for use and detailed in note 19 to the consolidated financial statements; deferred tax liabilities of approximately HK$16,763,000 on the intangible assets relating to beneficial rights to drugs under development not yet available for use and detailed in note 33 to the consolidated financial statements; payments for investments representing deposits paid for the acquisition of beneficial rights to drugs under development not yet available for use and the corresponding consultancy fees stated in the consolidated balance sheet as at 31 December 2008 at a total carrying amount of approximately HK$64,741,000 and detailed in note 21 to the consolidated financial statements; and leasehold improvements and plant and machinery with carrying amounts of approximately HK$22,913,000 as at 31 December 2008 acquired for the research and development of the drugs under development by the Group and included in property, plant and equipment.

   We have not been provided with sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the abovementioned intangible assets, payments for investments and property, plant and equipment, and the related deferred tax liabilities on the intangible assets relating to beneficial rights to drugs under development not yet available for use. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment in value should be made in the consolidated financial statements in respect of them. Any adjustments found to be necessary might have consequential effects on the net assets of the Group as at 31 December 2008, the results of the Group for the year then ended and the related disclosures thereof in the consolidated financial statements.

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

   We were unable to obtain sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the intangible assets of approximately HK$90,520,000 and payments for investments of approximately HK$61,002,000 stated in the consolidated balance sheet as at 31 December 2007; and leasehold improvements and plant and equipment with carrying amounts of approximately HK$28,030,000 included in property, plant and equipment stated in the consolidated balance sheet as at 31 December 2007. Any adjustments found to be necessary in respect thereof had we obtained sufficient evidence would have had consequential effects on the net assets of the Group as at 31 December 2007, the results of the Group for the years ended 31 December 2008 and 2007 and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Because of the significance of the matters described in the basis of opinion paragraph point 1 and 2 only, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
24 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	8	**219,329**	130,519
Cost of sales and services		**(206,323)**	(110,871)
Gross profit		**13,006**	19,648
Other operating income	10	**6,575**	4,159
Marketing, selling and distribution costs		**(32,463)**	(17,732)
Administrative expenses		**(83,683)**	(67,602)
Share-based payments	36	**(1,234)**	(63,674)
Research and development expenditure		**(2,699)**	(2,526)
Impairment loss for doubtful debts		**(187)**	(3,689)
Finance costs	11	**(11,657)**	(3,844)
Fair value loss on derivative financial instruments		**(3,148)**	(36,817)
Gain on derecognition of derivative financial instruments		**10,725**	–
Gain on deemed disposal of a subsidiary	40	**15,600**	–
Loss before tax		**(89,165)**	(172,077)
Income tax expense	12	**(3,542)**	(374)
Loss for the year	13	**(92,707)**	(172,451)
Attributable to:			
Equity holders of the Company		**(92,707)**	(172,451)
Minority interests		**–**	–
		(92,707)	(172,451)
Loss per share (HK cents)	16		
– Basic		**(2.40)**	(5.07)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**159,658**	122,577
Investment property	18	**–**	4,850
Intangible assets	19	**90,566**	90,520
Interest in an associate	20	**–**	–
Deposits paid for acquisition of non-current assets		**945**	15,292
Payments for investments	21	**64,741**	61,002
Deposit paid for acquisition of a subsidiary	22	**7,800**	7,800
		323,710	302,041
Current assets			
Inventories	23	**193**	25
Debtors, deposits and prepayments	24	**35,738**	46,944
Advances to consulting companies	25	**29,071**	52,083
Bank and cash balances	26	**43,954**	69,402
		108,956	168,454
Current liabilities			
Creditors and accrued charges	27	**76,573**	78,531
Amounts due to directors	42	**1,550**	1,411
Amount due to a related party	42	**58**	60
Other borrowings – due within one year	28	**10,029**	–
Obligations under finance leases – due within one year	29	**257**	242
Derivative financial instruments	30	**–**	7,577
Redeemable voting preference shares	31	**–**	13,978
Convertible loans – due within one year	32	**73,933**	–
Current tax liabilities		**2,594**	3,332
		164,994	105,131
Net current (liabilities) assets		**(56,038)**	63,323
Total assets less current liabilities		**267,672**	365,364

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Other borrowings – due after one year	28	**39,006**	–
Obligations under finance leases – due after one year	29	**249**	506
Convertible loans – due after one year	32	**12,504**	72,174
Deferred tax liabilities	33	**16,763**	13,407
		68,522	86,087
Net assets		**199,150**	279,277
Capital and reserves			
Share capital	34	**38,659**	38,659
Reserves	35	**160,491**	240,618
Equity attributable to equity holders of the Company		**199,150**	279,277
Minority interests		**–**	–
Total equity		**199,150**	279,277

The consolidated financial statements on pages 25 to 91 were approved and authorised for issue by the Board of Directors on 24 April 2009 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 2008

	Attributable to equity holders 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	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	30,383	366,164	88,643	–	17,360	1,636	(290,168)	214,018	–	214,018
Translation difference recognised directly in equity	–	–	–	–	–	9,405	–	9,405	–	9,405
Loss for the year and total recognised income and expense for the year	–	–	–	–	–	–	(172,451)	(172,451)	–	(172,451)
Issue of shares on placement (note 34)	2,000	36,000	–	–	–	–	–	38,000	–	38,000
Share issue expenses paid	–	(760)	–	–	–	–	–	(760)	–	(760)
Recognition of equity component of convertible loans	–	–	–	2,463	–	–	–	2,463	–	2,463
Issue of shares on conversion of convertible loans	2,750	29,876	–	(1,164)	–	–	–	31,462	–	31,462
Issue of shares on exercise of share options and warrants	3,526	95,473	–	–	(5,533)	–	–	93,466	–	93,466
Recognition of share-based payments	–	–	–	–	63,674	–	–	63,674	–	63,674
	8,276	160,589	–	1,299	58,141	9,405	(172,451)	65,259	–	65,259
At 31 December 2007	38,659	526,753	88,643	1,299	75,501	11,041	(462,619)	279,277	–	279,277

Consolidated Statement of Changes In Equity

For the year ended 31 December 2008

	Attributable to equity holders 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	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	38,659	526,753	88,643	1,299	75,501	11,041	(462,619)	279,277	-	279,277
Translation difference recognised directly in equity	-	-	-	-	-	8,601	-	8,601	-	8,601
Loss for the year and total recognised income and expense for the year	-	-	-	-	-	-	(92,707)	(92,707)	-	(92,707)
Recognition of equity component of convertible loans	-	-	-	2,745	-	-	-	2,745	-	2,745
Cancellation of share options	-	-	-	-	(4,198)	-	4,198	-	-	-
Recognition of share based payments	-	-	-	-	1,234	-	-	1,234	-	1,234
	-	-	-	2,745	(2,964)	8,601	(88,509)	(80,127)	-	(80,127)
At 31 December 2008	38,659	526,753	88,643	4,044	72,537	19,642	(551,128)	199,150	-	199,150

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(89,165)**	(172,077)
Adjustments for:		
Finance costs	**11,657**	3,844
Bank interest income	**(221)**	(533)
Interest income from consulting companies	**(431)**	(482)
Gain on derecognition of derivative financial instruments	**(10,725)**	–
Fair value gain on an investment property	**–**	(1,220)
Gain on disposal of an investment property	**(3,460)**	–
Fair value loss on derivative financial instruments	**3,148**	36,817
Gain on deemed disposal of a subsidiary	**(15,600)**	–
Loss on disposal of financial assets at fair value through profit or loss	**487**	–
Impairment loss for amount due from an associate	**187**	389
Impairment loss for trade debtors	**–**	3,300
Depreciation of property, plant and equipment	**29,976**	13,157
(Gain) loss on disposal of property, plant and equipment	**(76)**	3
Equity-settled employee benefits	**1,234**	13,276
Equity-settled consultancy fees	**–**	50,398
Operating cash flows before movements in working capital	**(72,989)**	(53,128)
(Increase) decrease in inventories	**(165)**	1,541
Decrease (increase) in debtors, deposits and prepayments	**13,868**	(15,869)
(Decrease) increase in creditors and accrued charges	**(4,863)**	14,233
Cash used in operations	**(64,149)**	(53,223)
Income taxes paid	**(1,119)**	(472)
NET CASH USED IN OPERATING ACTIVITIES	**(65,268)**	(53,695)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(19,666)**	(67,911)
Proceeds from disposal of an investment property	**8,310**	–
Purchases of financial assets at fair value through profit or loss	**(8,222)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**7,735**	–
Deposits paid for acquisition of non-current assets	**(6,184)**	(15,292)
Proceeds from disposal of property, plant and equipment	**1,657**	3
Interest received	**221**	533
Deposits paid for acquisition of a subsidiary	**–**	(7,800)
Advances to an associate	**–**	(389)
NET CASH USED IN INVESTING ACTIVITIES	**(16,149)**	(90,856)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Proceeds from other borrowings raised	**50,000**	–
Proceeds from issue of convertible loans	**16,000**	109,000
Interest paid	**(7,256)**	–
Repayment of other borrowings	**(1,899)**	–
Convertible loan issue expenses paid	**(800)**	(4,790)
Repayment of obligations under finance lease	**(242)**	(227)
Interest in amounts due to directors	**117**	5
Interest paid on obligations under finance leases	**(37)**	(52)
Decrease in amount due to a related party	**(2)**	(603)
Proceeds from issue of shares on exercise of warrants	**–**	42,000
Proceeds from issue of shares on placement	**–**	38,000
Proceeds from issue of shares on exercise of share options	**–**	13,279
Proceeds from issue of warrants	**–**	6,000
Share issue expenses paid	**–**	(760)
Repayment of bank borrowings	**–**	(36)
NET CASH FROM FINANCING ACTIVITIES	**55,881**	201,816
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,536)**	57,265
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**69,402**	12,039
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**88**	98
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**43,954**	69,402
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	**43,954**	69,402

1. GENERAL

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

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

Other than those operating subsidiaries established in the People's Republic of China (the "PRC") and engaged in the research, development and sale of biopharmaceutical products, which functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Hong Kong dollars.

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

In the current year, the Group has applied the following amendments and interpretations ("INTS") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-INT 18	Transfer of Assets from customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfers of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$56,038,000 and incurred loss of approximately HK$92,707,000 and net cash outflow of approximately HK$25,536,000 for the year then ended. In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

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

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

3. as set out in note 45, the new issuance of HK$96,000,000 convertible notes and the redemption of HK$73,933,000 convertible notes were completed on 20 February 2009.

On the basis that the continuing availability of the financial supports provided by independent third parties and the implementation of other measures with a view to improve its working capital and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

Investments in associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 balance sheet date, 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.

Borrowing costs

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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.

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.

Research and development expenditure

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

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

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Convertible loans

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible loans (Continued)

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

Redeemable voting preference shares

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

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

Equity instruments

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

Derivative financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Share options granted to consultants

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets

At each balance sheet date, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated useful lives and impairment loss for property, plant and equipment

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 drug and gaming projects and the Group believes that there is no impairment for 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.

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.

Fair value of derivative financial instruments

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

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

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.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the other borrowings and convertible loans as disclosed in notes 28 and 32 respectively, bank and cash balances and equity of the Company, comprising issued share capital disclosed in note 34 and reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new borrowings or repayment of existing borrowings. The Group's approach to capital management remains unchanged throughout the year.

7. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

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

Market risk

(a) Currency risk

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

(b) Interest rate risk

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

The Group's result is not sensitive to changes in interest rate as the Group's borrowings are at fixed interest rates and the interest income generated from bank deposits is insignificant.

7. FINANCIAL RISK MANAGEMENT (Continued)

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

Market risk (Continued)

(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 bank and cash balances, debtors, deposits and advances to consulting companies included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

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

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

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

Liquidity risk

The Group is exposed to liquidity risk as at 31 December 2008 as its financial assets due within one year was less than its financial liabilities due within one year. At 31 December 2008, the Group had net current liabilities of approximately HK$56,038,000. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

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

7. FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flow HK$'000
At 31 December 2008				
Creditors and accrued charges	**76,573**	**–**	**–**	**76,573**
Amount due to directors	**1,550**	**–**	**–**	**1,550**
Amount due to a related party	**58**	**–**	**–**	**58**
Other borrowings	**15,718**	**35,718**	**10,836**	**62,272**
Obligations under finance leases	**279**	**256**	**–**	**535**
Convertible loans	**81,320**	**1,315**	**21,120**	**103,755**
	175,498	**37,289**	**31,956**	**244,743**
At 31 December 2007				
Creditors and accrued charges	78,531	–	–	78,531
Amount due to directors	1,411	–	–	1,411
Amount due to a related party	60	–	–	60
Obligations under finance leases	279	279	256	814
Redeemable voting preference shares	15,600	–	–	15,600
Convertible loans	5,320	81,320	–	86,640
	101,201	81,599	256	183,056

B. Fair values 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 (excluding derivative instruments) 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 (excluding derivative instruments) 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.

7. FINANCIAL RISK MANAGEMENT (Continued)

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

The carrying amounts of financial assets and financial liabilities (excluding liability component of redeemable voting preference shares and convertible loans) reported in the consolidated balance sheet approximate their carrying amounts due to their immediate or short-term maturities.

The directors consider that the carrying amounts of liability component of redeemable voting preference shares and 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

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Loan and receivables		
– debtors, deposits and prepayments	**35,384**	43,911
– advances to consulting companies	**29,071**	52,083
– bank and cash balances	**43,954**	69,402
	108,409	165,396
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**76,573**	78,531
– amounts due to directors	**1,550**	1,411
– amount due to a related party	**58**	60
– other borrowings	**49,035**	–
– obligations under finance leases	**506**	748
Derivative financial instruments	**–**	7,577
Redeemable voting preference shares	**–**	13,978
Convertible loans	**86,437**	72,174
	214,159	174,479

8. TURNOVER

The Group's turnover which represents the amounts received and receivable for goods sold, net of discounts and returns to outside customers and revenue from share of net gaming win from the operation of electronic gaming system during the year are as follows:

	2008 HK$'000	2007 HK$'000
Sales of biopharmaceutical products	124,402	113,892
Sales of live baccarat betting units	9,599	–
Revenue from share of net gaming win from the operation of electronic gaming system	85,328	16,627
	219,329	130,519

9. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

Biopharmaceutical	–	research, development and sale of biopharmaceutical products
Gaming	–	sale of live baccarat betting units and development and operation of electronic gaming system

9. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

For the year ended 31 December 2008

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue	124,402	94,927	–	219,329
Segment results	(10,452)	(65,050)	2,387	(73,115)
Unallocated operating income				202
Unallocated corporate expenses				(31,232)
Finance costs				(11,657)
Fair value loss on derivative financial instruments				(3,148)
Gain on derecognition of derivative financial instruments				10,725
Gain on deemed disposal of a subsidiary				15,600
Gain on disposal of an investment property				3,460
Loss before tax				(89,165)
Income tax expenses				(3,542)
Loss for the year				(92,707)

At 31 December 2008

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	228,873	138,352	1,016	368,241
Unallocated corporate assets				64,425
Consolidated total assets				432,666
Liabilities				
Segment liabilities	56,937	37,018	52	94,007
Unallocated corporate liabilities				139,509
Consolidated total liabilities				233,516

9. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

For the year ended 31 December 2008

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

For the year ended 31 December 2007

	Biopharmaceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue	113,892	16,627	–	130,519
Segment results	(14,268)	(24,008)	1,585	(36,691)
Unallocated operating income				2,235
Unallocated corporate expenses				(96,960)
Finance costs				(3,844)
Fair value loss on derivative financial instruments				(36,817)
Loss before tax				(172,077)
Income tax expenses				(374)
Loss for the year				(172,451)

9. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

At 31 December 2007

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	266,556	125,794	5,994	398,344
Unallocated corporate assets				72,151
Consolidated total assets				470,495
Liabilities				
Segment liabilities	53,700	44,422	40	98,162
Unallocated corporate liabilities				93,056
Consolidated total liabilities				191,218

For the year ended 31 December 2007

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	14	75,984	–	258	76,256
Depreciation of property, plant and equipment	6,463	6,136	118	440	13,157
Loss on disposal of property, plant and equipment	3	–	–	–	3
Impairment loss for amount due from an associate	–	–	–	389	389
Impairment loss for trade debtors	3,300	–	–	–	3,300
Share-based payments	–	–	–	63,674	63,674

9. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

	Revenue		Total assets		Capital expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The PRC and Hong Kong	**124,402**	113,887	**173,941**	354,966	**10,762**	272
Macau	**94,927**	16,632	**258,725**	115,529	**56,160**	75,984
	219,329	130,519	**432,666**	470,495	**66,922**	76,256

10. OTHER OPERATING INCOME

	2008	2007
	HK$'000	HK$'000
Consultancy fee income	**–**	1,000
Bank interest income	**221**	533
Interest income from consulting companies	**431**	482
Gain on disposal of property, plant and equipment	**76**	–
Gain on disposal of an investment property	**3,460**	–
Fair value gain on an investment property	**–**	1,220
Rental income	**720**	–
Net exchange gains	**70**	–
Sundry income	**1,597**	924
	6,575	4,159

11. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interests on:		
Other borrowings wholly repayable within five years	**3,160**	–
Obligations under finance leases wholly repayable within five years	**37**	52
Bank overdraft	**4**	–
Effective interests on:		
Convertible loans (note 32)	**6,834**	1,889
Redeemable voting preference shares (note 31)	**1,622**	1,903
	11,657	3,844

12. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax-outside Hong Kong		
– current year	186	–
– under-provision in previous year	–	374
Deferred tax:		
– attributable to a change in tax rate (note 33)	3,356	–
	3,542	374

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

(ii) PRC Enterprise Income Tax

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

Pursuant to the approvals obtained from the relevant PRC tax authorities, the applicable tax rate for the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd ("Hainan Kangwei") was 15% for the year ended 31 December 2007. Pursuant to the notice dated 26 December 2007 issued by the PRC tax authorities, the applicable tax rate of 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% (2007: 33%) prevailing in the PRC during both years with certain tax preference.

(iii) Overseas income tax

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

12. INCOME TAX EXPENSE (Continued)

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

	2008 HK$'000	2007 HK$'000
Loss before tax	**(89,165)**	(172,077)
Tax at PRC Enterprise Income Tax rate of 25% (2007: 33%)	**(22,291)**	(56,785)
Tax effect of expenses not deductible for tax purpose	**13,369**	21,182
Tax effect of income not taxable for tax purpose	**(545)**	(314)
Tax effect of tax losses not recognised	**4**	8,116
Tax effect of temporary differences not recognised	**–**	(58)
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	**3,356**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**9,649**	27,859
Under-provision in previous year	**–**	374
Income tax expense	**3,542**	374

13. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Loss for the year has been arrived at after charging:		
Auditors' remuneration		
– current year	**700**	1,044
– under-provision in previous year	**–**	77
Cost of inventories recognised as an expenses	**122,008**	100,008
Depreciation of property, plant and equipment	**29,976**	13,157
Direct operating expenses in respect of an investment property that did not generate rental income	**42**	6
Equity-settled consultancy fees (note 36)	**–**	50,398
Loss on disposal of property, plant and equipment	**–**	3
Loss on disposal of financial assets at fair value through profit or loss	**487**	–
Operating lease rentals paid in respect of rented premises (note)	**5,800**	4,839
Impairment loss for amount due from an associate	**187**	389
Impairment loss for trade debtors	**–**	3,300
Staff costs		
– Directors' emoluments (note 14)	**8,448**	14,094
– Other staffs		
– Salaries and other benefits	**34,749**	14,775
– Equity-settled share-based payments (note 36)	**702**	6,913
– Retirement benefits scheme contributions	**556**	459
Total staff costs	**44,455**	36,241

Note: The amount includes the accommodation benefits provided to a director amounting to HK$1,233,000 (2007: HK$1,164,000) as set out in note 14.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2008

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

Notes:

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2007

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accom-modation benefits HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	2,169	1,164	–	12	3,345
Mr. Shan Shiyong, alias, Mr. Sin Sai Yung	–	2,400	–	–	–	2,400
Dr. Ma Xianming, alias, Dr. Ma Yin Ming	–	186	–	–	–	186
Mr. Law Wing Kit, Stephen (note a)	–	720	–	2,567	–	3,287
Mr. Park Aaron Changmin (note a)	–	720	–	3,796	–	4,516
Independent non-executive directors						
Mr. Frank Hu	120	–	–	–	–	120
Mr. Wang Faqi (note b)	83	–	–	–	–	83
Ms. Ma Shiwei	120	–	–	–	–	120
Mr. Li John Zongyang (note c)	37	–	–	–	–	37
Total	360	6,195	1,164	6,363	12	14,094

Notes:

(a) Appointed on 1 April 2007
(b) Resigned on 10 September 2007
(c) Appointed on 10 September 2007

No director waived or agreed to waive any emoluments during two years ended 31 December 2008 and 2007.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group during the year included four (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of remaining one (2007: one) individual are set out below:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**1,200**	1,050
Retirement benefit scheme contributions	**–**	–
	1,200	1,050

Their emoluments were within the following band:

	2008 **Number of individuals**	2007 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1

During two years ended 31 December 2008 and 2007, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

16. LOSS PER SHARE

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

	2008	2007
	HK$'000	HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(92,707)**	(172,451)

	2008	2007
Number of shares		
Issued ordinary shares at 1 January	**3,865,897,919**	3,038,297,919
Effect of issue of shares on placement	**–**	11,506,849
Effect of conversion of convertible loans	**–**	143,013,698
Effect of exercise of share options	**–**	95,435,890
Effect of exercise of warrants	**–**	112,328,767
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,865,897,919**	3,400,583,123

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007, no diluted loss per share was presented for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2007	1,300	2,115	53,093	3,179	3,255	62,942
Additions	–	37,745	35,784	1,389	1,338	76,256
Disposals	–	–	(4)	(4)	–	(8)
Exchange realignment	–	141	2,246	37	92	2,516
At 31 December 2007	1,300	40,001	91,119	4,601	4,685	141,706
Additions	–	27,971	29,360	9,591	–	66,922
Disposals	–	(280)	(1,785)	(862)	–	(2,927)
Exchange realignment	–	134	2,096	37	86	2,353
At 31 December 2008	**1,300**	**67,826**	**120,790**	**13,367**	**4,771**	**208,054**
Depreciation and impairment loss						
At 1 January 2007	281	72	2,479	1,554	1,144	5,530
Provided for the year	25	530	11,484	466	652	13,157
Disposals	–	–	(1)	(1)	–	(2)
Exchange realignment	–	23	351	27	43	444
At 31 December 2007	306	625	14,313	2,046	1,839	19,129
Provided for the year	25	8,458	19,814	970	709	29,976
Disposals	–	(280)	(503)	(563)	–	(1,346)
Exchange realignment	–	36	530	28	43	637
At 31 December 2008	**331**	**8,839**	**34,154**	**2,481**	**2,591**	**48,396**
Carrying values						
At 31 December 2008	**969**	**58,987**	**86,636**	**10,886**	**2,180**	**159,658**
At 31 December 2007	994	39,376	76,806	2,555	2,846	122,577

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 December 2008, the carrying amount of the motor vehicles held by the Group under finance leases amounted to approximately HK$608,000 (2007: HK$869,000).

18. INVESTMENT PROPERTY

	2008 **HK$'000**	2007 HK$'000
At 1 January	**4,850**	3,630
Fair value gain	**–**	1,220
Disposal	**(4,850)**	–
At 31 December	**–**	4,850

Investment property was revalued as at 31 December 2007 on an open market value basis by reference to market evidence of recent transactions for similar properties by Dudley Surveyors Limited, an independent firm of chartered surveyors.

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

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

19. INTANGIBLE ASSETS

	Patents HK$'000	Beneficial rights to drugs under development HK$'000	Total HK$'000
Cost			
At 1 January 2007	4,705	90,471	95,176
Exchange realignment	–	49	49
At 31 December 2007	4,705	90,520	95,225
Exchange realignment	–	46	46
At 31 December 2008	**4,705**	**90,566**	**95,271**
Amortisation			
At 1 January 2007, 31 December 2007 and 31 December 2008	4,705	–	4,705
Carrying amount			
At 31 December 2008	**–**	**90,566**	**90,566**
At 31 December 2007	–	90,520	90,520

Patents represent the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products. The patent was amortised over the period of the exclusive rights assigned to the Group of four years.

No amortisation was provided for beneficial rights to drugs under development not yet available for use during two years ended 31 December 2008 and 2007. The amortisation of the cost of the beneficial rights to drugs under development will commence when the underlying drugs are fully developed and are ready for commercial production.

As of 31 December 2008, the directors considered the intangible assets paid for beneficial rights to drugs under development are still commercially feasible.

20. INTEREST IN AN ASSOCIATE

	2008 HK$'000	2007 HK$'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	**9,185**	8,998
	9,185	8,998
Less: Impairment loss for amount due from an associate	**(9,185)**	(8,998)
	–	–

20. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the Group's associate as at 31 December 2008 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:

	2008 HK$'000	2007 HK$'000
At 31 December		
Total assets	**4,717**	5,573
Total liabilities	**(11,101)**	(10,760)
Net liabilities	**(6,384)**	(5,187)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**8**	81
Total loss for the year	**(439)**	(948)

The Group has not recognised loss for the year amounting to approximately HK$208,000 (2007: HK$450,000) for the Group's associate. The accumulated losses not recognised were approximately HK$1,935,000 (2007: HK$1,727,000).

21. PAYMENTS FOR INVESTMENTS

	2008 HK$'000	2007 HK$'000
Deposits paid for the acquisition of beneficial rights to drugs under development	**63,385**	59,724
Consultancy fees for soliciting the drugs under development projects capitalised	**1,356**	1,278
	64,741	61,002

21. PAYMENTS FOR INVESTMENTS (Continued)

On 2 June 2004, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB15,000,000 (equivalent to approximately HK$17,039,000 (2007: HK$16,055,000)). The amount paid by the Group amounting to RMB14,000,000 (equivalent to approximately HK$15,904,000 (2007: HK$14,984,000)) at 31 December 2008 and 2007 represents the partial consideration paid under the agreement.

On 8 October 2004, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB12,000,000 (equivalent to approximately HK$13,631,000 (2007: HK$12,844,000)). The amount paid by the Group amounting to RMB11,000,000 (equivalent to approximately HK$12,495,000 (2007: HK$11,774,000)) at 31 December 2008 and 2007 represents the partial consideration paid under the agreement.

On 2 November 2004, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB12,800,000 (equivalent to approximately HK$14,540,000 (2007: HK$13,700,000)). The amount paid by the Group amounting to RMB11,800,000 (equivalent to approximately HK$13,404,000 (2007: HK$12,630,000)) at 31 December 2008 and 2007 represents the partial consideration paid under the agreement.

On 5 January 2005, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB10,000,000 (equivalent to approximately HK$11,359,000 (2007: HK$10,703,000)). The amount paid by the Group amounting to RMB9,000,000 (equivalent to approximately HK$10,223,000 (2007: HK$9,633,000)) at 31 December 2008 and 2007 represents the partial consideration paid under the agreement.

On 18 February 2005, Hainan Kangwei entered into an agreement with an independent party to acquire the beneficial rights to a drug development project for a cash consideration of RMB11,000,000 (equivalent to approximately HK$12,495,000 (2007: HK$11,774,000)). The amount paid by the Group amounting to RMB10,000,000 (equivalent to approximately HK$11,359,000 (2007: HK$10,703,000)) at 31 December 2008 and 2007 represents the partial consideration paid under the agreement.

22. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

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

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

23. INVENTORIES

	2008 HK$'000	2007 HK$'000
Finished goods	**193**	25

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK$'000	2007 HK$'000
Trade debtors	**29,812**	47,752
Less: Accumulated impairment losses	**(10,301)**	(10,301)
	19,511	37,451
Other debtors, deposits and prepayments	**16,227**	9,493
	35,738	46,944

The Group normally allows a credit period of 90 to 180 days to its trade customers. The credit policy is consistent with the pharmaceutical industry practice in the PRC.

An ageing analysis of the trade debtors net of impairment loss recognised at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Within 30 days	**7,642**	20,162
31 – 60 days	**4,160**	10,591
61 – 90 days	**1,486**	3,711
91 – 180 days	**5,004**	1,612
181 – 365 days	**1,219**	1,163
Over 365 days	**–**	212
	19,511	37,451

24. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**10,301**	7,001
Impairment loss recognised in consolidated income statement	**–**	3,300
Balance at end of the year	**10,301**	10,301

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

As of 31 December 2008, trade debtors of approximately HK$1,219,000 (2007: HK$1,375,000) were past due but not impaired. An ageing analysis of these trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
181 to 365 days	**1,219**	1,163
Over 365 days	**–**	212
	1,219	1,375

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

25. ADVANCES TO CONSULTING COMPANIES

The amount represents the outstanding receivables from four (2007: four) consulting companies established in the PRC. Pursuant to the agreements entered into between these consulting companies and Shanghai Youheng Biotechnology Limited ("Youheng"), a subsidiary of the Company, Youheng has appointed these consulting companies to:

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

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

The outstanding receivables are unsecured and carry interests at 1% per annum.

26. BANK AND CASH BALANCES

	2008	2007
	HK$'000	HK$'000
Cash at bank (note)	**9,219**	64,374
Cash chips in hand	**24,249**	–
Cash in hand	**10,486**	5,028
	43,954	69,402

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

As at 31 December 2008, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,694,000 (2007: HK$1,409,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

27. CREDITORS AND ACCRUED CHARGES

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

	2008 HK$'000	2007 HK$'000
Within 30 days	12,476	16,059
31 – 60 days	5,332	10,493
61 – 90 days	7,684	1,542
91 – 180 days	12,901	3,928
More than 365 days	202	855
Trade creditors	38,595	32,877
Other creditors and accrued charges	29,923	37,402
Value added tax payable	8,055	8,252
	76,573	78,531

28. OTHER BORROWINGS

	2008 HK$'000	2007 HK$'000
Unsecured	49,035	–
Carrying amount repayable:		
On demand or within one year	10,029	–
More than one year but not exceeding two years	29,805	–
More than two years but not more than five years	9,201	–
	49,035	–
Less: Amounts due within one year shown under current liabilities	(10,029)	–
	39,006	–

Other borrowings are denominated in Hong Kong dollars and are loans from independent third paries which bear at fixed interest rates ranging from 15% to 18% (2007: nil) per annum.

29. OBLIGATIONS UNDER FINANCE LEASES

Amounts payable under finance leases	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**279**	279	**257**	242
More than one year, but not exceeding two years	**256**	279	**249**	257
More than two years, but not exceeding five years	**–**	256	**–**	249
	535	814	**506**	748
Less: Future finance charges	**(29)**	(66)	**N/A**	N/A
Present value of lease obligations	**506**	748	**506**	748
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(257)**	(242)
Amount due for settlement after 12 months			**249**	506

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4.5 years (2007: 4.5 years). As at 31 December 2008, the effective borrowing rate was 7.1% (2007: 7.1%). Interest rates are fixed at the contract dates. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of the lease term, the Group has the option to purchase the motor vehicles at nominal prices.

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

The Group's obligations under finance leases are secured by the lessor's charge over the leased asset and the personal guarantee executed by a director of the Company.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	HK$'000	HK$'000
Derivative components of redeemable voting preference shares (note 31)	**–**	5,364
Warrants (note)	**–**	2,213
	–	7,577

Note:

On 20 March 2007, the Company and Get Nice Investment Limited entered into a placing agreement in respect of the placement of 300,000,000 warrants of the Company to independent investors at a price of HK$0.02 per warrants. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.01 each at a subscription price of HK$0.21, subject to adjustment upon occurrence of certain events. The placement was completed on 3 April 2007 with the warrants expired on 2 April 2008. Details of the above are set out in the Company's announcement dated 21 March 2007.

During the year ended 31 December 2007, 200,000,000 warrants carrying subscription rights of HK$42,000,000 or 200,000,000 ordinary shares of the Company of HK$0.01 each were exercised. A loss of HK$34,400,000 from changes in fair value of the warrants from the date of issue to the dates of exercises or the balance sheet date was recognised to the consolidated income statement.

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

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

	Derivative component of redeemable preference shares		**Warrants**
	2008	2007	2007
Share price of underlying shares	**HK$7,812**	HK$12,437	HK$0.172
Exercise price	**HK$17,333**	HK$17,333	HK$0.210
Expected volatility	**54.97%**	62.99%	101.75%
Expected life	**123 days**	274 days	78 days
Risk-free rate	**1.22%**	2.34%	2.55%
Expected dividend yield	**–**	–	–

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

31. REDEEMABLE VOTING PREFERENCE SHARES

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

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

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

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

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

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

	2008 **HK$'000**	2007 HK$'000
Derivative component		
At beginning of the year	**5,364**	2,947
Fair value loss	**3,148**	2,417
Derecognised during the year (note)	**(8,512)**	–
At end of the year	**–**	5,364

	2008 **HK$'000**	2007 HK$'000
Liability component		
At beginning of the year	**13,978**	12,075
Interest charged for the year	**1,622**	1,903
Converted into ordinary shares of LT Game (note 40)	**(15,600)**	–
At end of the year	**–**	13,978

31. REDEEMABLE VOTING PREFERENCE SHARES (Continued)

Note:

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

During the year ended 31 December 2008, the interest charged is calculated by applying an effective interest rate of 14.75% (2007:14.75%) to the liability component.

32. CONVERTIBLE LOANS

Pursuant to a subscription agreement dated 5 March 2007, the Company issued convertible notes with principal value of HK$33,000,000 on 14 March 2007 ("CN1"). The holder of CN1 is entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.12 each, at any time between the date of issue of CN1 and 14 March 2008. CN1 bears interests at 2% per annum payable on 14 March 2008. During the year ended 31 December 2007, CN1 have been fully converted into ordinary shares of the Company.

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 ("CN2"). The holder of CN2 is entitled to convert 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 CN2 and 31 December 2009. If CN2 are not converted before 31 December 2009, they will be redeemed at par on 31 December 2009. CN2 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 CN2 are provided in the Company's announcement dated 23 October 2007.

Pursuant to a redemption agreement entered with the CN2 holder dated 28 November 2008, CN2 was early redeemed by the Company on 20 February 2008. Details of which are set out in note 45.

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 ("CN3"). The holder of CN3 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$0.032 each and at any time between the 1 March 2009 and 31 December 2013. If CN3 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN3 bears interests at 8% per annum payable quarterly on or before the fifth business day of January, April, July and October in each year until their settlement date. Details of CN3 are provided in the Company's announcement dated 27 November 2008.

32. CONVERTIBLE LOANS (Continued)

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

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Nominal values of convertible loan notes issued	33,000	76,000	16,000	125,000
Transaction costs	(990)	(3,800)	(800)	(5,590)
Equity component	(1,164)	(1,299)	(2,745)	(5,208)
Liability component at date of issue	30,846	70,901	12,455	114,202
Liability component at date of issue	30,846	70,901	–	101,747
Interest charged (note 11)	616	1,273	–	1,889
Converted into ordinary shares of the Company	(31,462)	–	–	(31,462)
Liability component at 31 December 2007	–	72,174	–	72,174
Liability component at date of issue	–	–	12,455	12,455
Interest charged (note 11)	–	6,785	49	6,834
Repayment during the year	–	(5,026)	–	(5,026)
Liability component at 31 December 2008	–	73,933	12,504	86,437

The interest charged for the year for CN1, CN2 and CN3 are calculated by applying effective interest rates of 7.39%, 9.30% and 14.35% respectively to the liability components since the loan notes were issued.

33. DEFERRED TAX LIABILITIES

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

	Intangible assets **HK$'000**
At 1 January 2007, 31 December 2007 and 1 January 2008	**13,407**
Effect of change in tax rate (note 12)	**3,356**
At 31 December 2008	**16,763**

At 31 December 2008, the Group has unused tax losses of approximately HK$141,626,000 (2007: HK$141,600,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses and other temporary differences due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$50,888,000 (2007: HK$50,888,000) that will be expired from 2008 to 2012. Other losses and temporary differences may be carried forward indefinitely.

34. SHARE CAPITAL

	2008 Number of shares	2007 Number of shares	2008 HK$'000	2007 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and at end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning of the year	**3,865,897,919**	3,038,297,919	**38,659**	30,383
Issue of shares on placement (note)	**–**	200,000,000	**–**	2,000
Issue of shares on conversion of convertible loans (note 32)	**–**	275,000,000	**–**	2,750
Issue of shares on exercise of share options (Note 36)	**–**	152,600,000	**–**	1,526
Issue of shares on exercise of warrants (Note 30)	**–**	200,000,000	**–**	2,000
At end of the year	**3,865,897,919**	3,865,897,919	**38,659**	38,659

Note:

On 30 October 2007, the Company and Fidelity Investments Management (Hong Kong) Limited, who acted on behalf of various independent investors, entered into a subscription agreement in respect of the subscription of 200,000,000 ordinary shares of HK$0.01 each at a price of HK$0.19 per share. The placement was completed on 10 December 2007 and the premium on the issue of shares amounting to approximately HK$36,000,000 was credited to the Company's share premium account.

35. RESERVES

(i) Share premium account

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

(ii) Special reserve represents the aggregate of:

- the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the share premium account of LifeTec Holdings, the subsidiary which was acquired by the Company pursuant to the group 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 4.

(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 4.

(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 4.

36. SHARE-BASED PAYMENTS

Equity-settled share option schemes

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

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

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

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

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

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

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

36. SHARE-BASED PAYMENTS (Continued)

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

Old Scheme

				Number of share options			
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 December 2008
Category: Directors							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	3,500,000	–	–	(3,500,000)	–
30.11.2006	30.11.2006 to 29.11.2011	0.0950	1,900,000	–	–	–	1,900,000
08.05.2007 (C)	08.05.2007 to 07.05.2012	0.2420	20,000,000	–	–	(10,000,000)	10,000,000
25.05.2007	25.11.2007 to 24.05.2012	0.2900	20,000,000	–	–	–	20,000,000
Category: Employees							
08.05.2007 (A)	08.05.2007 to 07.05.2012	0.2420	7,900,000	–	–	(500,000)	7,400,000
08.05.2007 (B)	08.05.2008 to 07.05.2012	0.2420	9,500,000	–	–	(500,000)	9,000,000
Category: Consultants							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	23,375,000	–	–	(23,375,000)	–
01.11.2004	01.11.2004 to 31.10.2009	0.0860	25,000,000	–	–	–	25,000,000
31.07.2006	31.07.2006 to 30.07.2011	0.0910	280,000,000	–	–	–	280,000,000
08.05.2007 (C)	08.05.2007 to 07.05.2012	0.2420	243,000,000	–	–	–	243,000,000
Total all categories			634,175,000	–	–	(37,875,000)	596,300,000
Exercisable at the end of the year							596,300,000
Weighted average exercise price (HK$)			0.1637	–	–	0.1327	0.1657

36. SHARE-BASED PAYMENTS (Continued)

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

New Scheme

				Number of share options			
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 December 2008
Category: Directors							
06.08.2007 (A)	06.12.2007 to 05.08.2009	0.3070	10,000,000	–	–	(10,000,000)	–
06.08.2007 (B)	06.03.2008 to 05.08.2009	0.3070	10,000,000	–	–	(10,000,000)	–
05.05.2008	05.05.2008 to 04.05.2009	0.1900	–	8,500,000	–	(8,500,000)	–
Category: Employees							
09.10.2007	09.10.2007 to 08.10.2012	0.1800	36,000,000	–	–	–	36,000,000
08.11.2007	08.11.2007 to 07.11.2012	0.2120	2,000,000	–	–	–	2,000,000
Category: Consultants							
06.08.2007 (C)	06.08.2007 to 05.08.2009	0.3070	15,000,000	–	–	–	15,000,000
09.10.2007	09.10.2007 to 08.10.2012	0.1800	228,000,000	–	–	–	228,000,000
Total all categories			301,000,000	8,500,000	–	(28,500,000)	281,000,000
Exercisable at the end of the year							281,000,000
Weighted average exercise price (HK$)			0.1950	0.1900	–	0.2721	0.1870

36. SHARE-BASED PAYMENTS (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2007 are as follows:

Old Scheme

Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2007	Number of share options: Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 December 2007
Category: Directors							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	3,500,000	–	–	–	3,500,000
30.11.2006	30.11.2006 to 29.11.2011	0.0950	1,900,000	–	–	–	1,900,000
08.05.2007 (C)	08.05.2007 to 07.05.2012	0.2420	–	20,000,000	–	–	20,000,000
25.05.2007	25.11.2007 to 24.05.2012	0.2900	–	20,000,000	–	–	20,000,000
Category: Employees							
13.08.2004	01.09.2004 to 12.08.2009	0.0810	4,000,000	–	(4,000,000)	–	–
03.01.2006	03.01.2006 to 02.01.2011	0.0810	12,000,000	–	(12,000,000)	–	–
20.02.2006	20.02.2006 to 19.02.2011	0.0810	4,000,000	–	(4,000,000)	–	–
08.05.2007 (A)	08.05.2007 to 07.05.2012	0.2420	–	12,500,000	(4,600,000)	–	7,900,000
08.05.2007 (B)	08.05.2008 to 07.05.2012	0.2420	–	12,500,000	–	(3,000,000)	9,500,000
Category: Consultants							
27.11.2003	27.11.2003 to 26.11.2008	0.0880	23,375,000	–	–	–	23,375,000
01.11.2004	01.11.2004 to 31.10.2009	0.0860	25,000,000	–	–	–	25,000,000
20.02.2006	20.02.2006 to 19.02.2011	0.0810	125,000,000	–	(125,000,000)	–	–
31.07.2006	31.07.2006 to 30.07.2011	0.0910	280,000,000	–	–	–	280,000,000
14.03.2007	14.03.2007 to 13.03.2012	0.1400	–	3,000,000	(3,000,000)	–	–
08.05.2007 (C)	08.05.2007 to 07.05.2012	0.2420	–	243,000,000	–	–	243,000,000
Total all categories			478,775,000	311,000,000	(152,600,000)	(3,000,000)	634,175,000
Exercisable at the end of the year							624,675,000
Weighted average exercise price (HK$)			0.0876	0.2441	0.0810	0.2420	0.1637

36. SHARE-BASED PAYMENTS (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2007 are as follows: (Continued)

New Scheme

				Number of share options			
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 December 2007
Category: Directors							
06.08.2007 (A)	06.12.2007 to 05.08.2009	0.3070	–	10,000,000	–	–	10,000,000
06.08.2007 (B)	06.03.2008 to 05.08.2009	0.3070	–	10,000,000	–	–	10,000,000
Category: Employees							
09.10.2007	09.10.2007 to 08.10.2012	0.1800	–	36,000,000	–	–	36,000,000
08.11.2007	08.11.2007 to 07.11.2012	0.2120	–	2,000,000	–	–	2,000,000
Category: Consultants							
06.08.2007 (C)	06.08.2007 to 05.08.2009	0.3070	–	15,000,000	–	–	15,000,000
09.10.2007	09.10.2007 to 08.10.2012	0.1800	–	228,000,000	–	–	228,000,000
Total all categories			–	301,000,000	–	–	301,000,000
Exercisable at the end of the year							291,000,000
Weighted average exercise price (HK$)			–	0.1950	–	–	0.1950

No share option granted was exercised during the year ended 31 December 2008. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2007 was HK$0.3438.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 3.12 years (2007: 3.98 years).

The total equity-settled employees benefit (including directors' emoluments) recognised for the year ended 31 December 2008 was amounted to HK$1,234,000 (2007: HK$13,276,000).

36. SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

In the opinion of the directors of the Company, as the future economic benefits in relation to the services to be provided by these consultants are uncertain, the whole amount of HK$50,398,000 (2008: nil) had been charged to the consolidated income statement for the year ended 31 December 2007.

During the years ended 31 December 2008 and 2007, share options were granted by the Company on the below grant dates. The estimated fair values of the share options on those dates are determined using the Blackscholes model or Binomial models when appropriate. The respective fair values and significant inputs to the models are as follows:

For the year ended 31 December 2008

New Scheme

	Share option grant date 5 May 2008
Fair value at the grant date	**HK$157,000**
Number of share options granted	**8,500,000**
Share price at the grant date	**HK$0.098**
Exercise price	**HK$0.190**
Expected volatility	**96.4%**
Expected life	**1 year**
Risk free rate	**1.2%**
Expected dividend yield	**–**

36. SHARE-BASED PAYMENTS (Continued)

For the year ended 31 December 2007

Old Scheme

	Share option grant date				
	14 March 2007	8 May 2007 (A)	8 May 2007 (B)	8 May 2007 (C)	25 May 2007
Fair value at the grant date	HK$191,000	HK$1,850,000	HK$1,850,000	HK$27,713,000	HK$2,742,000
Number of share options granted	3,000,000	12,500,000	12,500,000	263,000,000	20,000,000
Share price at the grant date	HK$0.140	HK$0.231	HK$0.231	HK$0.231	HK$0.290
Exercise price	HK$0.140	HK$0.242	HK$0.242	HK$0.242	HK$0.290
Expected volatility	63.91%	73.70%	73.70%	73.70%	73.70%
Expected life	3 years	5 years	5 years	3 years	3 years
Risk free rate	3.984%	4.080%	4.080%	3.993%	4.151%
Expected dividend yield	–	–	–	–	–

New Scheme

	Share option grant date				
	6 August 2007 (A)	6 August 2007 (B)	6 August 2007 (C)	9 October 2007	8 November 2007
Fair value at the grant date	HK$944,000	HK$944,000	HK$1,386,000	HK$26,881,000	HK$250,000
Number of share options granted	10,000,000	10,000,000	15,000,000	264,000,000	2,000,000
Share price at the grant date	HK$0.250	HK$0.250	HK$0.250	HK$0.180	HK$0.200
Exercise price	HK$0.307	HK$0.307	HK$0.307	HK$0.180	HK$0.212
Expected volatility	76.35%	76.35%	76.35%	94.01%	101.60%
Expected life	2 years	2 years	2 years	3 years	3 years
Risk free rate	3.935%	3.935%	3.935%	3.858%	2.612%
Expected dividend yield	–	–	–	–	–

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

Total consideration received during the year from directors, employees and consultants for accepting the options granted amounted to HK$1 (2007: HK$50).

37. CONTINGENT LIABILITIES

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

38. OPERATING LEASE COMMITMENTS

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**9,451**	8,570
In the second to fifth year inclusive	**16,850**	15,970
	26,301	24,540

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

39. CAPITAL COMMITMENTS

	2008 **HK$'000**	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of a subsidiary	**5,000**	5,000
Acquisition of the beneficial rights to drugs under development	**5,679**	5,351
Acquisition of property, plant and equipment	**5,149**	11,086
Establishment of jointly controlled entities	**971**	–
	16,799	21,437

40. GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY

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

41. RETIREMENT BENEFIT SCHEMES

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

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

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the year ended 31 December 2008, the total retirement benefits scheme contributions charged to the consolidated income statement amounted to approximately HK$568,000 (2007: HK$471,000).

42. RELATED PARTY TRANSACTIONS

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

	Directors		Associate		Related parties	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Consultancy fees paid to (note a & b)	**–**	–	**–**	–	**534**	319
Property, plant and equipment acquired from (notes b & c)	**–**	–	**–**	–	**–**	213
Salaries and allowances paid to (notes b & d)	**–**	–	**–**	–	**1,200**	1,050
Amount due from (notes e & f)	**–**	–	**9,185**	8,998	**–**	–
Amounts due to (note d & e)	**1,550**	1,411	**–**	–	**58**	60

42. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) The related party is the son of a director, Mr. Shan Shiyong, alias, Mr. Sin Sai Yung.
(b) The transactions were charged at predetermined amounts agreed between the parties involved.
(c) A director, Mr. Law Wing Kit, Stephen, has significant influence over the related company.
(d) The related party is the spouse of a director, Mr. Jay Chun.
(e) The amounts due are unsecured, interest free and have no fixed terms of repayment.
(f) Approximately HK$187,000 (2007: HK$389,000) impairment has been made for the year for the amount due from an associate as set out in note 13.
(g) The Group's obligations under finance leases as set out in note 29 are secured by the personal guarantee executed by a director, Mr. Jay Chun.

43. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Anica Limited	British Virgin Islands	US$50,000	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Assets Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Property holding
Beijing Bafang Liyuan Science and Technology Co., Ltd. (note b)	PRC	US$140,000	Registered capital	95%	–	95%	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
Golden Butterfly Investments Limited	British Virgin Islands	US$100	Ordinary	95%	–	95%	Investment holding

43. SUBSIDIARIES (Continued)

Particulars of the Group's subsidiaries as at 31 December 2008 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	
Hainan Kangwei Medicine Co., Ltd. (note a)	PRC	RMB2,000,000	Registered capital	98.5%	–	100%	Trading of biopharmaceutical products
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	100%	–	100%	Inactive
LGH Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Provision of management services
LifeTec Group (China) Limited	British Virgin Island	US$1	Ordinary	100%	–	100%	Inactive
LifeTec (Holdings) Limited	British Virgin Island	HK$141,176	Ordinary	100%	100%	–	Investment holding
LifeTec Pharmaceutical Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
LT Cosmos Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Finance Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive

43. SUBSIDIARIES (Continued)

Particulars of the Group's subsidiaries as at 31 December 2008 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 Game Limited	British Virgin Islands	US$5,000	Ordinary	82%	–	82%	Development of electronic gaming system
LT Global Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	100%	–	100%	Operating of electronic gaming system
LT Union Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Master Mind Technology Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Research and development of biopharmaceutical products
Shanghai Youheng Biotechnology Limited (note b)	PRC	HK$5,600,000	Registered capital	95%	–	100%	Research and development of biopharmaceutical products
Sino Flow Investments Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Sunny Link Trading Limited	Hong Kong	HK$2	Ordinary	100%	–	100%	Inactive
Weihai Genen Biotech Limited (note b)	PRC	US$2,000,000	Registered capital	100%	–	100%	Research and development of biopharmaceutical products
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	100%	–	100%	Inactive
Zhuhai Caijing Software Technology Co., Ltd. (note b)	PRC	RMB500,000	Registered capital	100%	–	100%	Inactive

43. SUBSIDIARIES (Continued)

Notes:

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

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

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

44. MAJOR NON-CASH TRANSACTION

As set out in notes 31 and 40, the Preference Shares were automatically converted into 900 new ordinary shares of LT Game of US$1 each. The consideration for subscription of 900 new ordinary shares was wholly financed by the liability component of redeemable voting preference shares of approximately HK$15,600,000.

Included in creditors and accrued charges as at 31 December 2007 was an amount of approximately HK$18,126,000 (2008: nil) in respect of the purchase of property, plant and equipment not yet paid for at the balance sheet date.

Included in the additions in property, plant and equipment of approximately HK$26,725,000 (2007: nil) was settled through the advances to consulting companies during the year ended 31 December 2008.

45. EVENTS AFTER THE BALANCE SHEET DATE

On 25 November 2008, the Company entered into a subscription agreement with the CN2 holder. Pursuant to the subscription agreement, the CN2 holder would subscribe for convertible notes in an aggregate principal amount of HK$96,000,000 ("CN4") to be issued by the Company. On 28 November 2008, the Company also entered into a redemption agreement with the CN2 holder. Pursuant to the redemption agreement, CN2 shall be fully redeemed by the Company upon the subscription and issuance of CN4. The redemption payments of CN2 shall be set off with the subscription proceeds of CN4. The holder of CN4 is entitled to convert 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$0.032 each and at any time between 1 June 2009 and 31 December 2013. If CN4 are not converted before 31 December 2013, they will be redeemed at par on 31 December 2013. CN4 bears interest at 8% per annum payable quarterly on or before the fifth business day of January, April, July and October in each year until their settlement date.

The subscription was approved by the Company's shareholders at a special general meeting held on 13 February 2009. The subscription and issuance of CN4 and the early redemption of CN2 were completed on 20 February 2009.

Details of the above are set out in the Company's announcement dated 22 January 2009.

46. BALANCE SHEET OF THE COMPANY

	2008 HK$'000	2007 HK$'000
Non-current asset		
Investments in subsidiaries	**499,882**	496,538
Current assets		
Other debtors, deposits and prepayments	**89**	544
Bank and cash balances	**6**	200
	95	744
Current liabilities		
Other creditors and accrued charges	**792**	3,232
Amounts due to directors	**847**	590
Derivative financial instruments	**–**	2,213
Convertible loans – due within one year	**73,933**	–
	75,572	6,035
Net current liabilities	**(75,477)**	(5,291)
Total assets less current liabilities	**424,405**	491,247
Non-current liabilities		
Convertible loans – due after one year	**12,504**	72,174
Net assets	**411,901**	419,073
Capital and reserves		
Share capital	**38,659**	38,659
Reserves	**373,242**	380,414
Total equity	**411,901**	419,073

Financial Summary

	For the year ended 31 December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
RESULTS					
Turnover	64,179	85,478	94,669	130,519	**219,329**
Profit/(loss) before tax	(58,280)	(23,203)	(47,745)	(172,077)	**(89,165)**
Taxation	(2,504)	(1,197)	73	(374)	**(3,542)**
Profit/(loss) for the year	(60,784)	(24,400)	(47,672)	(172,451)	**(92,707)**
Attributable to:					
Equity holders of the Company	(60,992)	(24,095)	(47,704)	(172,451)	**(92,707)**
Minority interests	208	(305)	32	–	**–**
	(60,784)	(24,400)	(47,672)	(172,451)	**(92,707)**

ASSETS AND LIABILITIES

	At 31 December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	257,364	257,222	301,716	470,495	**432,666**
Total liabilities	(28,262)	(34,654)	(87,698)	(191,218)	**(233,576)**
Total equity	229,102	222,568	214,018	279,277	**199,150**