



PARADISE ENTERTAINMENT LIMITED 滙彩控股有限公司*

(Formerly known as LifeTec Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 1180)



INTERIM REPORT 2007

* For identification purposes only

RESULTS

The board of directors (the “Board”) of Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Notes	2007	2006
		HK\$'000	HK\$'000
Turnover	3	54,375	35,537
Cost of sales		(45,595)	(28,031)
Gross profit		8,780	7,506
Other operating income		4,544	1,924
Marketing, selling and distribution expenses		(7,765)	(5,583)
Impairment loss for doubtful debts	4	(266)	(555)
Administrative expenses		(66,507)	(22,126)
Loss from operations	5	(61,214)	(18,834)
Finance costs		(1,326)	(48)
Loss on disposal of a subsidiary		–	(3)
Loss before taxation		(62,540)	(18,885)
Taxation	6	(387)	72
Loss for the period		(62,927)	(18,813)
Attributable to:			
Equity holders of the Company		(62,927)	(18,687)
Minority interests		–	(126)
		(62,927)	(18,813)
Loss per share (HK cents)	7		
– Basic		(2.02)	(0.66)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Non-current assets			
Property, plant and equipment	8	60,995	57,412
Investment properties		3,630	3,630
Intangible assets	13	90,487	90,471
Payments for investments	14	58,314	56,994
		213,426	208,507
Current assets			
Inventories		49	1,526
Debtors and prepayments	9	53,107	31,357
Advances to consulting companies		49,628	48,287
Bank and cash balances		56,733	12,039
		159,517	93,209
Less: Current liabilities			
Creditors and accrued charges	10	57,025	53,003
Amounts due to directors		890	1,383
Amount due to a related party		22	663
Bank borrowings – due within one year		–	36
Obligation under finance leases – due within one year	11	234	227
Derivative component of redeemable voting preference shares	19	2,642	2,947
Convertible notes	20	11,702	–
Taxation payable		3,203	3,209
		75,718	61,468
Net current assets		83,799	31,741
Total assets less current liabilities		297,225	240,248
Non-current liabilities			
Obligation under finance leases – due after one year	11	629	748
Redeemable voting preference shares	19	12,992	12,075
Deferred tax liabilities		13,407	13,407
		27,028	26,230
Net assets		270,197	214,018
Capital and reserves			
Share capital	12	35,623	30,383
Reserves		234,574	183,635
Equity attributable to equity holders of the Company		270,197	214,018
Minority interests		–	–
Total equity		270,197	214,018

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(40,874)	(20,744)
Net cash used in investing activities	(7,383)	(2,873)
Net cash generated from financing activities	92,920	17,839
Net increase/(decrease) in cash and cash equivalents	44,663	(5,778)
Effect of foreign exchange rate changes, net	31	(224)
Cash and cash equivalents at beginning of period	12,039	26,713
Cash and cash equivalents at end of period	56,733	20,711
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	56,733	20,711

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Convertible				Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
					Option reserve HK\$'000	notes reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2007	30,383	366,164	88,643	-	17,360	-	1,636	(290,168)	214,018	-	214,018
Issue of unlisted warrants	-	-	-	5,661	-	-	-	-	5,661	-	5,661
Recognition of equity component of convertible notes	-	-	-	-	-	1,200	-	-	1,200	-	1,200
Issue of shares on conversion of convertible notes	1,750	19,492	-	-	-	(764)	-	-	20,478	-	20,478
Issue of shares on exercise of options	1,490	15,918	-	-	(5,000)	-	-	-	12,408	-	12,408
Issue of shares on exercise of warrants	2,000	43,780	-	(3,780)	-	-	-	-	42,000	-	42,000
Recognition of share based payment	-	-	-	-	36,795	-	-	-	36,795	-	36,795
Translation difference	-	-	-	-	-	-	564	-	564	-	564
Loss for the period	-	-	-	-	-	-	-	(62,927)	(62,927)	-	(62,927)
At 30 June 2007	36,623	445,354	88,643	1,881	49,155	436	2,200	(353,095)	270,197	-	270,197

For six months ended 30 June 2006

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Convertible				Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
					Option reserve HK\$'000	notes reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2006	27,633	334,085	88,643	-	10,207	-	949	(242,464)	219,053	3,515	222,568
Issue of shares on exercise of options	1,250	16,354	-	-	(7,479)	-	-	-	10,125	-	10,125
Recognition of share-based payment	-	-	-	-	6,759	-	-	-	6,759	-	6,759
Translation difference	-	-	-	-	-	-	328	-	328	1	329
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(13)	(13)
Loss for the period	-	-	-	-	-	-	-	(18,687)	(18,687)	(126)	(18,813)
At 30 June 2006	28,883	350,439	88,643	-	9,487	-	1,277	(261,151)	217,578	3,377	220,955

Notes:

(1) Basis of preparation

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

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

(2) Accounting policies

The accounting policies used in condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2006 with addition for the following amendments and interpretations which are relevant to the Group's operation and are adopted for the first time by the Group for the Period:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

These amendments and interpretations had no material effect on the Group's accounting policies.

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

HKFRS 8	Operating Segments ¹
HKAS 23 (Revised)	Borrowing Cost ²
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC) – Int 12	Service Concession Arrangements ⁴

¹ Effective for financial period commencing on or after 1 January 2009

² Effective for financial period commencing on or after 1 January 2009

³ Effective for financial period commencing on or after 1 March 2007

⁴ Effective for financial period commencing on or after 1 January 2008

(3) Turnover and segment information

Segment information is presented in respect of the Group's business and geographical segments. The Group has determined that business segments be presented as the primary reporting format and geographical as the secondary format.

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

- Biopharmaceutical – Research, development and sale of biopharmaceutical products
- Gaming – Development, provision and management of electronic gaming system

	Unaudited							
	Six months ended 30 June							
	Biopharmaceutical		Gaming		Others		Total	
2007	2006	2007	2006	2007	2006	2007	2006	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	47,457	34,321	6,918	162	-	1,054	54,375	35,537
Segment results	(6,005)	(2,788)	(4,671)	(1,126)	(109)	(27)	(10,785)	(3,941)
Unallocated operating income							3,699	1,085
Unallocated corporate expenses							(54,128)	(15,978)
Loss from operations							(61,214)	(18,834)
Finance costs							(1,326)	(48)
Loss on disposal of a subsidiary							-	(3)
Loss before taxation							(62,540)	(18,885)

(b) Secondary reporting format – geographical segments

	Unaudited					
	Six months ended 30 June					
	Revenue		Total assets		Capital expenditure	
2007	2006	2007	2006	2007	2006	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The People's Republic of China ("PRC") and Hong Kong	47,457	35,375	339,123	258,861	111	1,324
Macau	6,918	162	33,820	5,168	9,182	2,676
	54,375	35,537	372,943	264,029	9,293	4,000

(4) Impairment loss for doubtful debts

	Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Impairment loss for amount due from an associate	266	555

(5) Loss from operations

Loss from operations has been arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Staff cost		
– Director remuneration (note 17)	8,692	2,973
– Other staff		
– Salaries and allowance	6,749	3,572
– Employee share option benefits (equity-settled) (note 18)	3,700	282
– Retirement benefit scheme contributions	108	50
	10,557	3,904
Consultancy fee		
– Share options benefits (equity-settled) (note 18)	28,023	6,477
– Others	1,749	40
	29,772	6,517
Depreciation and amortisation	6,524	628
Gain on disposal of property, plant and equipment	–	(195)

(6) Taxation

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
The charge represents:		
Profits tax outside Hong Kong		
– Current	234	32
– Under/(over) provision in previous year	153	(104)
	387	(72)

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has no assessable profit for the period.

There is no movement in provision for deferred tax during the six months ended 30 June 2007. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(7) Loss per share

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

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of basic loss per share:	(62,927)	(18,687)

Number of shares:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Weighted average number of shares for the purposes of basic loss per share:	3,122,231,622	2,832,358,692

As the exercise of the Company's outstanding share options, convertible notes and warrants during the period ended 30 June 2007 and exercise of the Company's outstanding share options during the period ended 30 June 2006 would be anti-dilutive, no diluted loss per share was presented in both periods.

(8) Property, plant and equipment

During the period, the Group acquired 60 betting terminals of LIVE Baccarat system at the costs of HK\$4.3 million. In additions, the Group also acquired a motor vehicle at the costs of HK\$1.2 million.

(9) Debtors and prepayments

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	6,368	14,337
31 – 60 days	4,482	4,308
61 – 90 days	2,408	2,060
91 – 180 days	2,600	3,295
181 – 365 days	16,059	2,883
Over 365 days	3,299	1,365
	35,216	28,248
Other debtors and prepayments	17,891	3,109
	53,107	31,357

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 China.

(10) Creditors and accrued charges

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	5,397	13,718
31 – 60 days	5,510	4,810
61 – 90 days	2,762	330
More than 90 days	18,122	534
	31,791	19,392
Value added tax payable	7,227	7,284
Other creditors and accrued charges	18,007	26,327
	57,025	53,003

(11) Obligation under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within one year	279	279	234	227
In the second to fifth years, inclusive	674	814	629	748
	953	1,093	863	975
Less: Future finance charges	(90)	(118)	N/A	N/A
Present value of lease obligations	863	975	863	975
Less: Amount due for settlement within 12 months (shown under current liabilities)			(234)	(227)
Amount due for settlement after 12 months			629	748

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

(12) Share capital

	Number of shares	Nominal value HK\$'000
Share of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2007 and 30 June 2007	10,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1 January 2007	3,038,297,919	30,383
Conversion of convertible notes	175,000,000	1,750
Exercise of share options	149,000,000	1,490
Exercise of warrants	200,000,000	2,000
At 30 June 2007	3,562,297,919	35,623

(13) Intangible assets

There is no substantial movement in intangible assets during the six months ended 30 June 2007. The increase in value of intangible assets represents exchange realignment on change of exchange rate.

(14) Payments for investments

There is no substantial movement in payments for investments during the six months ended 30 June 2007. The increase in value of payments for investments represents exchange realignment on change of exchange rate.

(15) Capital and other commitments

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of the beneficial rights to drugs under development	5,116	5,000
Acquisition of property, plant and equipment	2,629	55
	7,745	5,055
Research and development expenditure contracted for but not provided in the financial statements	14,424	14,488

(16) Related party transactions

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

	Unaudited					
	Six months ended 30 June					
	Directors		Associate		A related party	
2007	2006	2007	2006	2007	2006	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Management fee income from (note a)	-	-	-	120	-	-
Maintenance expenses paid to (note a)	-	-	-	60	-	-
Salaries and allowances (note d)	-	-	-	-	450	-
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from (note b & c)	-	-	8,822	8,609	-	-
Amounts due to (note b)	890	1,383	-	-	22	663

Notes:

- The transactions were charged at predetermined amount agreed between the parties involved.
- The amounts are unsecured, interest free and have no fixed terms of repayment. No guarantees have been given or received.
- HK\$266,000 (6 months ended 30 June 2006: HK\$555,000) impairment has been made for the period for the loan made to an associate. The amount due from an associate was fully impaired.
- The related party is the spouse of a director, Mr. Jay Chun.

(17) Directors' remuneration

The remuneration of directors during the period was as follows:

	Unaudited Six months ended 30 June	
	2007 HK'000	2006 HK'000
Directors' fee	180	180
Salaries and allowances – Directors	3,440	2,793
Employee share option benefits (equity-settled) (note 18)	5,072	–
	8,692	2,973

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

(18) Equity settled share-based payment

On 14 March 2007, 3,000,000 share options were granted by the Group to a consultant with fair value of HK\$191,000.

On 8 May 2007, 243,000,000, 20,000,000 and 25,000,000 share options were granted by the Group to consultants, directors and general employees respectively with fair value of HK\$27,832,000, HK\$2,291,000 and HK\$3,700,000 respectively.

On 25 May 2007, 20,000,000 share options were granted by the Group to a director with fair value of HK\$2,781,000.

In the opinion of directors of the Company, as the future economic benefits in relation to the services to be provided by these employees and consultants are uncertain, the whole amount of HK\$36,795,000 was credited to option reserve and charged to the unaudited income statements for the six months ended 30 June 2007.

(18) Equity settled share-based payment (continued)

The fair value of options granted to the employees and consultants during the period were determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

	Date of grant share option			
	14 March 2007	8 May 2007	8 May 2007	25 May 2007
Closing price of shares at the date of grant	HK\$0.140	HK\$0.231	HK\$0.231	HK\$0.290
Exercise price of share option	HK\$0.140	HK\$0.242	HK\$0.242	HK\$0.290
Expected volatility based on historical volatility of share prices	63.91%	73.70%	73.70%	68.16%
Expected annual dividend yield, based on historical dividend	–	–	–	–
Expected life of options	3 years	5 years	3 years	3 years
Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	3.894%	4.080%	3.993%	4.151%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 250 days. 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 behavioral considerations.

Total consideration received during the six months ended 30 June 2007 from employees and consultants upon acceptance of the options granted amounted to HK\$32 (six months ended 30 June 2006: HK\$15)

(19) Redeemable voting preference shares

During the year ended 31 December 2006, LT Game Limited ("LT Game"), a subsidiary of the Company, issued 900 redeemable voting preference shares at 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 holder of Preference Shares is 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 ending 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 ending 31 December 2007 (the "Conversion Date") if net profit before tax of LT Game less than HK\$32 million was reported for the financial year ending 31 December 2007. Unless previously redeemed, each preference share shall automatically be converted into an ordinary share of LT Game on the Conversion Date.

The fair value of the derivative component was estimated at the issue date using an option pricing model and the change in fair value of that component is recognised in the income statement. The residual amount is assigned as the liability component.

(19) Redeemable voting preference shares (continued)

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Nominal value of the Preference Shares issued	15,600	15,600
Derivative component (note (a))	(3,671)	(3,671)
Liability component (note (b))	11,929	11,929
(a) Derivative component at beginning of period/the date of issue	2,947	3,671
Fair value gain recognised in current period/year	(305)	(724)
Derivative component at period/year ended	2,642	2,947
(b) Liability component at beginning of period/the date of issue	12,075	11,929
Interest charged for the period/year	917	146
Liability component at period/year ended	12,992	12,075

(20) Convertible note

The Company and a subscriber entered into a subscription agreement dated 5 March 2007 ("the Subscription Agreement") in relation to the issue and subscription of the HK\$33,000,000 convertible note in accordance with the terms and conditions of the Subscription Agreement (the "Note"). The Note was issued on 14 March 2007 and the noteholder had the right to convert the Note into new ordinary shares of the Company at the conversion price of HK\$0.12, subject to adjustment, at any time within one year from the issue date of the Note.

The Note bears an interest at 2% per annum payable by the Company on the maturity date. Unless previously redeemed, converted, purchased or cancelled in accordance with the terms and conditions of the Note, the Company will redeem the Note at its nominal value plus any accrued and unpaid interest on the maturity date.

(20) Convertible note (continued)

The proceeds received for the issue of the convertible note have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	Unaudited 30 June 2007 HK\$'000
Nominal value of convertible note	33,000
Equity component	(1,200)
Liability component at the date of issue	31,800
Interest charged	380
Interest paid	–
Converted to shares during the period	(20,478)
Liability component as at 30 June 2007	11,702
Equity component at the date of issue	1,200
Converted to shares during the period	(764)
Equity component as at 30 June 2007	436

The directors consider that the carrying amount of the liability component of the convertible note approximates their fair value.

(21) Warrants

On 20 March 2007, the Company entered into a placing agreement pursuant to which the Company has appointed Get Nice Investment Limited as the placing agent for the issue of 300,000,000 warrants at a placing price of HK\$0.02 per warrant. The warrants were issued on 3 April 2007. Holders of the warrants are entitled to subscribe in cash for shares in the Company at an initial subscription price of HK\$0.21 per share. The subscription rights attaching to the warrants may be exercised within the period from 3 April 2007 to 2 April 2008 (both dates inclusive). The net proceeds raised on the issue of warrants was approximately HK\$5.7 million. During the six month ended 30 June 2007, 200,000,000 warrants were exercised and 200,000,000 shares were issued accordingly.

(22) Post balance sheet date events

Adoption of New Share Option Scheme

At the annual general meeting of our Company held on 30 July 2007, the Company terminated the share option scheme of the Company adopted on 15 July 2002, and adopted a new share option scheme as a result of the expiration of the previous Share Option Scheme and in order to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group.

Grant of Share Options

On 6 August 2007, 35,000,000 share options were granted to consultants and a director of the Company at an exercise price of HK\$0.307 per share option which exercise period will expire on 5 August 2009.

Purchase of Gaming Systems

On 24th August 2007, the Company announced that, among other things, LT Game Limited ("LT Game"), a subsidiary of the Company, had entered into the first agreement with an independent supplier (the "Supplier") whereby LT Game agreed to purchase and the Supplier agreed to manufacture and supply a computerized system in relation to the operation of a real time baccarat system and optional jackpot features together with 80 units of related terminals for a consideration of up to US\$480,000 (or approximately HK\$3,744,000), and that subsequently LT Game entered into the second agreement with the Supplier whereby LT Game agreed to purchase and the Supplier agreed to manufacture and supply a new generation computerized system in relation to the operation of a real time baccarat system plus server base game including slot game function together with 200 units of related terminals for a consideration of up to US\$2,046,000 (or approximately HK\$15,958,800).

(23) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. The new classification was considered to provide a more appropriate presentation of the state of affairs of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Turnover and Profit

The turnover of the Group for the six months ended 30 June 2007 increased from HK\$35.5 million to HK\$54.4 million, representing a period-to-period increase of approximately 53.2%. The Group reported a loss of HK\$62.9 million or 2.02 Hong Kong cents per share for the period compared to loss of HK\$18.7 million or 0.66 Hong Kong cents per share for previous corresponding period.

The loss has been mainly attributed to increase in costs of sales, administrative expenses and grant of share options. Due to competition in China pharmaceutical market, gross margin inevitably narrowed. Nevertheless, the Group continued to expand its biopharmaceutical sales during the period.

LifeTec Pharmaceutical Limited

The Group's biopharmaceutical business is conducted under LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). For the six months ended 30 June 2007, the turnover of LifeTec Pharmaceutical for the period increased from HK\$34.3 million to HK\$47.5 million, representing a period-to-period rise of approximately 38.5%. Gross profit for the period also decreased by approximately 11.7% compared with that of the previous corresponding period. Gross profit reduced due to intense market competition.

LifeTec Pharmaceutical introduced a series of cost control measures to improve the operating efficiency of the division. As a results, the marketing, selling and distribution expenses decreased from HK\$5.6 million in previous period to HK\$5.2 million in the current period while recording a sales growth of approximately 38.5%.

Marketing, Sales and Distribution

LifeTec Pharmaceutical has seen improvements after adopting specific initiatives in the 1st half of 2007 to consolidate its internal marketing sales force while cooperation with reputable domestic drug distributors. Sales have continued to rebound during the 1st half of 2007 as a result of these initiatives and are expected to see continued performance going into the 2nd half of 2007.

Research and Development

Fibrocorin

Fibrocorin is a recombinant fusion protein and a possible new drug candidate for anti-cancer and anti-fibrosis applications. Fibrocorin was invented by the LifeTec Pharmaceutical in conjunction with the research department of the City University of Hong Kong. Fibrocorin is a genetically engineered protein comprising an active component to improve fibrosis and a human immunoglobulin Fc region which extends degradation rate. This novel recombinant protein has a more sustainable and profound treatment effect. Patent application has been filed by us for Fibrocorin in the United States. Pre-clinical trials for Fibrocorin are expected to be completed in 2008.

Recombinant Human Augmenter for Liver Regeneration (“rhALR”)

rhALR is an innovative compound for the gene therapy of various kinds of liver diseases. Additionally, rhALR's curative value has been demonstrated in animal tests while the Chinese patent for the specific production techniques for rhALR was approved in late 2005. LifeTec Pharmaceutical is carrying out laboratory tests and preparing application documents for clinical trials in China. In addition to the on-going development projects, the Group launched advanced research work on rhALR with the research teams at the Shanghai Fudan University and the Shanghai Changzheng Hospital.

Other Projects in Pipeline

During the 1st half of 2007, there remains a number of key generic drugs still under development, including the following: Pazufloxacin for the treatment of bronchitis, complicated urinary tract infections and gonorrhoea; Clindamycin Hydrochloride Injection for the treatment of bacterial infections of the respiratory tract; Compound Dextromethorphan Hydrobromide Buccal Tablets for the treatment of common cold, respiratory tract infections and bronchitis; Bromhexine Hydrochloride Injection for the treatment of respiratory disorders; Zinc Gluconate Nasal Spray Gel for the treatment of influenza; Applications for clinical trials are under review by the State Food and Drug Administration. Production permits are expected to be granted in 2008.

LifeTec Pharmaceutical will continue to strive to enrich its ever-growing product mix and distribution network. Competition in the sector continues to grow more intense in China, however, we are well positioned for the hurdles and opportunities ahead by utilizing our deep network and client base. With income per capita in China continuing to rise as urbanization expands, the demand for proficient medicine for infectious diseases continues to grow ever stronger. LifeTec Pharmaceutical will introduce more new generic drugs into its product pipeline and management believes that the novel drugs under development will eventually render thorough solutions to various liver diseases within next few years.

LT Capital Limited

For the period under review, LT Capital Limited ("LT Capital") accounted for a significant share of Group's sales and operating loss as the key business under LT Capital just began operation in May 2006. Nevertheless, the management is encouraged by the good performance of the gaming related business in Macau.

LT Game Limited ("LT Game"), a subsidiary of LT Capital, which was set up to provide support and develop the LIVE Baccarat gaming system. LIVE Baccarat is a table baccarat game played under the conventional baccarat rules in Macau. The LIVE Baccarat system, specifically designed for mass gaming hall, combines traditional baccarat card dealing by casino staff and digital network of touch screen betting terminals. Real time images of the card dealing are broadcasted to the screens of the betting terminals. The system can largely enhance the productivity of a casino table as a dealer can serve more players with the system than a dealer at the traditional baccarat table. The patent applications of the novel electronic gaming system have been published in the United States in August 2006 and in Macau in September 2006.

At the beginning of 2007, LT Game had 240 LIVE Baccarat terminals present across 5 casinos operating under the Sociedade De Jogos De Macau, S.A. ("SJM") and Galaxy Casino S.A. ("Galaxy"), both are gaming concessionaries in Macau. In April 2007, LT Game entered into an agreement to launch LIVE Baccarat terminals at the Waldo Casino located in Macau. In June 2007, LT Game agreed with SJM to launch more terminals at the Jai Alai Casino in Macau. During the 1st half of 2007, LT Game added an additional 60 LIVE Baccarat terminals at new and current existing casinos operated by SJM and Galaxy, bringing the total number of LIVE Baccarat terminals to 300 machines. LT Game operates its LIVE Baccarat terminals under a gaming income sharing agreement with SJM and Galaxy pursuant to which LT Game supplies the LIVE Baccarat terminals to the two gaming concessionaries, and in return LT Game is entitled to share in the proceeds of the pretax net win generated from LIVE Baccarat activities.

Based on a recent customer survey of LIVE Baccarat players, the data points have indicated that players enjoy the LIVE Baccarat terminals mainly for the relaxed and comfortable wagering feel of the system and venue and the faster game turnover versus traditional baccarat tables. In addition, players site privacy is a major positive feature of LIVE Baccarat terminals as customers are able to play in their own private space away from other bystanders through their own individual touch screen terminal.

During the 1st half of 2007, LT Game announced its intention to aggressively launch its next generation electronic gaming terminal, entitled the Paradise Box. This proprietary, next-generation machine has been designed to meet the surging demand by casino players of more variety based games. The Paradise Box terminal allows customers to choose from an assortment of their favourite live-dealer table games including baccarat, sicbo, roulette and fish-prawn-crab. In addition, players will be able to play from a variety of server-based-games via an additional screen console on the Paradise Box machine. This hybrid gaming technology represents a breakthrough from previous traditional stand-alone e-tables and slot machines and will be the driving force for LT Game's machine rollout initiative going-forward. The management believes the new Paradise Box system represents a significant value proposition to casino operators and customers alike, and will continue to gain significant market penetration in the current Macau e-table and slot market space.

In June 2007, LT Game signed a definitive agreement with Orient Pearl Entertainment & Management Limited to launch 160 LIVE Baccarat machines and 50 Paradise Jackpot Baccarat progressive table systems across multiple Casino Filipino location in the Philippines. Casino Filipino is operated by the monopoly licensed operator namely, the Philippines Amusement and Gaming Corporation (“PAGCOR”). Under the terms of the agreement, LT Game will be entitled to a percentage of pretax net win generated from the revenues associated with its LIVE Baccarat and Paradise Jackpot Baccarat progressive table systems provided to PAGCOR.

In August 2007, LT (Macau) Limited (“LT Macau”), a wholly owned subsidiary of the Company, has agreed with SJM on the contents of an agreement to lease and manage an existing 40,000 square feet casino site located in the third floor of Casino Kam Pek at San Kin Yip Commercial Centre in Macau, properly titled Paradise Casino. Currently, the agreement is undergoing approval by the Gaming Inspection and Coordination Bureau of Macau (“DICJ”) and there is no guarantee that DICJ will approve the agreement. Under the terms of agreement, LT Macau will be entitled to 40% of pretax net win generated from Paradise Casino through the operation of 300 LIVE Baccarat terminals and 200 traditional stand-alone slot machines.

Prospects

The Paradise Box electronic gaming terminal represents a significant new driver to the future growth of the Group. Following the opening of more new mega casinos in Macau in 2007, competition in the Macau gaming industry has entered into a new robust phase. The mass market gaming sector will account for the majority of gaming revenue in the years to come and all casino operators are making new moves to capture these golden opportunities. Casinos are eager to offer new gaming devices to attract the mass market casino-goers. At the same time, gaming operators face an ever mounting labour shortage and surging staff costs.

LIVE Baccarat and Paradise Box gaming terminals come at a pivotal time to address current market needs. Baccarat accounted for over 60% of the mass market gaming revenue in the first half of 2007 and continues to be the most popular casino game in Macau by far. LIVE Baccarat and Paradise Box terminals offer a completely new and unique gaming experience to casino-goers and has proven to be well received in Macau despite a short operating history. These two products greatly increase the productivity and efficiency of card dealers and helps mitigate Macau's acute casino labour shortage. Many casino operators have inspected and played LIVE Baccarat at the 5 venues at which they are currently present and made enquiries into the system. The management is optimistic that the gaming concessionaires in Macau will adopt the next generation Paradise Box system. It is expected that a total of 800 electronic gaming machines will be installed in Macau by year-end with an additional 200 machines overseas bringing the total number of profit-sharing machines to 1,000 terminals by the end of 2007.

Liquidity and Financial Resources

At the balance sheet date, the Group did not have any bank borrowings while finance leases stood at HK\$863,000 of which HK\$234,000 was payable within 12 months, HK\$629,000 was payable between 2 and 5 years. Current liabilities of the Group increased from HK\$61.5 million to HK\$75.7 million, representing a rise of approximately 23.1%. The Group's net current assets increased from HK\$31.7 million to HK\$ 83.8 million at the balance sheet date. The Group's total liabilities at the balance sheet date were HK\$102.7 million. The percentage of the total liabilities to total assets as at 30 June 2007 stood at 27.6%, which is lower than the corresponding figure of 29.1% as at 31 December 2006.

As at 30 June 2007, the cash on hand is sufficient for financing ongoing activities of the Group.

The Group's operations are primarily based in Macau and China, income derived and expenses incurred are denominated in Macau Patacas and Renminbi respectively. Export sales are immaterial for the period. On the other hand, the expenses of the headquarters and finance lease are denominated in Hong Kong dollars. Due to relatively matched position in both Hong Kong, Macau and China and the stability of exchange rates between Renminbi and Hong Kong dollars, the risk exposed to exchange rate by the Group is immaterial, therefore the directors consider specific hedges for currency fluctuation being not necessary.

Charges on Group Assets

At the balance sheet date, the carrying value of a motor car held by the Group under finance lease amounted to HK\$999,000.

Organization and Staff

The Group has about 155 executives and staff in total as at the date of this report. Majority of the staff are marketing and promotion executives and staff located in Macau. The Group is actively seeking talent in Macau in order to cope with the fast growing operations.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

(i) Shares

As at 30 June 2007, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	68,568,000	2,500,000	400,558,000	11.24%
	The Company	Interest of controlled corporation/ Corporate interest	329,490,000 ⁽²⁾	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	353,190,000 ⁽³⁾	-	353,190,000	9.91%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner/ Personal interest	-	2,900,000	2,900,000	0.08%
Mr. Law Wing Kit, Stephen	The Company	Beneficial owner/ Personal interest	-	10,000,000	10,000,000	0.28%
Mr. Park Aaron Changmin	The Company	Beneficial owner/ Personal interest	1,666,000	30,000,000	31,666,000	0.89%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the Directors in the underlying shares pursuant to equity derivatives represent share options granted to them pursuant to the share option scheme adopted by the Company on 15 July 2002, details of which are set out in paragraph (ii) below.

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

Save as shows the above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2007.

(ii) Share options

The following table shows the movements in the Company's share options during the six months ended 30 June 2007 under the Share Option Scheme:

Category:	Date of share options granted	Exercisable period	Exercise price per share	Outstanding at beginning of the period	Number of share options		
					Granted during the period	Exercised during the period	Outstanding at end of the period
Directors							
Mr. Jay Chun	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	2,500,000	-	-	2,500,000
Dr. Ma Xianming, alias, Ma Yin Ming	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	1,000,000	-	-	1,000,000
Dr. Ma Xianming, alias, Ma Yin Ming	30.11.2006	30.11.2006 to 28.11.2011	HK\$0.095	1,900,000	-	-	1,900,000
Mr. Law Wing Kit, Stephen	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	-	10,000,000	-	10,000,000
Mr. Park Aaron Changmin	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	-	10,000,000	-	10,000,000
	25.05.2007	25.05.2007 to 24.05.2012	HK\$0.290	-	20,000,000	-	20,000,000

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Exercised during the period	
Category: Employees	13.08.2004	01.09.2004 to 12.08.2009	HK\$0.081	4,000,000	-	(4,000,000)	-
	03.01.2006	03.01.2006 to 02.01.2011	HK\$0.081	12,000,000	-	(12,000,000)	-
	20.02.2006	20.02.2006 to 19.02.2011	HK\$0.081	4,000,000	-	(4,000,000)	-
	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	-	25,000,000	(1,000,000)	24,000,000
Category: Consultants	27.11.2003	27.11.2003 to 26.11.2008	HK\$0.088	23,375,000	-	-	23,375,000
	01.11.2004	01.11.2004 to 31.10.2009	HK\$0.086	25,000,000	-	-	25,000,000
	20.02.2006	20.02.2006 to 19.02.2011	HK\$0.081	125,000,000	-	(125,000,000)	-
	31.07.2006	31.07.2006 to 30.07.2011	HK\$0.091	280,000,000	-	-	280,000,000
	14.03.2007	14.03.2007 to 13.03.2012	HK\$0.140	-	3,000,000	(3,000,000)	-
	08.05.2007	08.05.2007 to 07.05.2012	HK\$0.242	-	243,000,000	-	243,000,000
Total				478,775,000	311,000,000	(149,000,000)	640,775,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES" above, as at 30 June 2007, the Company had not been notified by any other person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007, save for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.4.1

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

Currently, only one of the three independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, whether they are appointed for a specific term or not, are subject to retirement by rotation and re-election at least every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

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

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2007.

By Order of the Board

Paradise Entertainment Limited

(Formerly known as LifeTec Group Limited)

Jay Chun

Chairman

Hong Kong, 24 September 2007

As at the date of this report, the executive directors are Mr. Jay Chun (Chairman and Managing Director), Mr. Shan Shiyong, alias, Sin Sai Yung and Dr. Ma Xianming, alias, Ma Yin Ming, Mr. Law Wing Kit, Stephen and Mr. Park Aaron Changmin and the independent non-executive directors are Mr. Frank Hu, Ms. Ma Shiwei and Mr. Li John Zongyang.