

Press Release
25 March 2010

The FRC publishes an enquiry report in relation to Paradise

(25 March 2010, Hong Kong) Today, the Financial Reporting Council (the "FRC") publishes an enquiry report in relation to the consolidated financial statements of Paradise Entertainment Limited ("Paradise") (Stock code: 1180) for the years ended 31 December 2007 and 2008 (the "2007 and 2008 Financial Statements"). The enquiry was initiated from the review of financial statements with modified auditors' reports by the FRC.

On 23 September 2009, the FRC appointed a Financial Reporting Review Committee (the "FRRC"), to conduct an enquiry after an initial review. The enquiry was completed on 24 February 2010 and the report on the findings of the enquiry was adopted by the FRC on 18 March 2010.

The issue of this enquiry relates to the measurement of the value in use of, and the impairment loss in relation to, certain assets in the 2007 and 2008 Financial Statements, which were based on the value-in-use calculations of nine drug projects for the years ended 31 December 2007 and 2008 (the "2007 and 2008 VIU Calculations") which, in turn, were not performed in accordance with the relevant financial reporting standards.

Based on the recommendation of the FRRC, the FRC has written to Paradise requesting it to revise the 2007 and 2008 VIU Calculations in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets*, to announce the impact of the revision on the value in use of certain assets and the consequential impairment loss and deferred tax liability, if any, and to reflect them as a restatement of the 2007 and 2008 Financial Statements.

The FRC would like to remind the management of all listed entities to exercise due care in the assessment of impairment loss. For example, reasonable and supportable assumptions should be used in value-in-use calculations, and management should consider all relevant factors in determining the cash-generating unit of a business, i.e. the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or group of assets.

The FRC acknowledges that the identification of an asset's cash-generating unit involves judgement. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or group of assets), an entity should consider various factors including how management monitors the entity's operations or how management makes decisions about continuing or disposing of the entity's assets and operations.

The FRRC comprised 5 members, including Mr. Lie Tai-chong, David, O.M., J.P. as the Chairman, Mrs. Chan Ngan Man-ling, Edith, Ms. Lee Sau-wai, Cecilia, Mr. Li Man-bun, Brian David and Mr. Wong Tak-wai, Alvin as members.

The [enquiry report](http://www.frc.org.hk) is available on the website of the FRC (www.frc.org.hk).