TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of TLT Lottotainment Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company (the "Director(s)"), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this announcement misleading.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Turnover	**25,480**	24,733
Cost of service	**(42,076)**	(22,388)
Gross (loss)/profit	**(16,596)**	2,345
Other income and gain, net	**423**	19,890
Gain on fair value changes on derivative financial instruments	**76,180**	—
Operating and administrative expenses	**(42,264)**	(18,909)
Impairment loss on investment deposit	**(41,000)**	—
Impairment loss on associates	**(15,428)**	—
Impairment loss on intangible assets	**(46,364)**	—
Impairment loss on goodwill	**(10,906)**	—
Loss on early redemption of promissory notes	**(2,979)**	—
Loss on restructuring of promissory notes	**(5,570)**	—
Provision for onerous contracts	**(1,052)**	—
(Loss)/profit from operations	**(105,556)**	3,326
Finance costs	**(19,999)**	(25,204)
Share of losses of associates	**(780)**	—
Share of losses of jointly controlled entities	**(1,091)**	—
Loss before taxation	**(127,426)**	(21,878)
Taxation	**(5)**	—
Loss after taxation from continuing operations	**(127,431)**	(21,878)
Discontinued operations		
Gain/(loss) from discontinued operations	**15,621**	(153,269)
Loss for the year	**(111,810)**	(175,147)

	2011	2010
	HK$'000	*HK$'000*
		(Re-presented)
Attributable to:		
Equity shareholders of the Company		
— From continuing operations	**(84,676)**	(19,901)
— From discontinued operations	**15,798**	(81,434)
	(68,878)	(101,335)
Non-controlling interests		
— From continuing operations	**(42,756)**	(1,977)
— From discontinued operations	**(176)**	(71,835)
	(42,932)	(73,812)
Loss for the year	**(111,810)**	(175,147)
(Loss)/earning per share		
From continuing and discontinued operations		
Basic	**(24.88 cents)**	(14.72 cents)
Diluted	**(24.88 cents)**	(14.72 cents)
From continuing operations		
Basic	**(30.59 cents)**	(2.89 cents)
Diluted	**(30.59 cents)**	(2.89 cents)
From discontinued operations		
Basic	**5.71 cents**	(11.83 cents)
Diluted	**5.71 cents**	(11.83 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
		(Re-presented)
Loss for the year	**(111,810)**	(175,147)
Other comprehensive income/(expense) for the year (after tax and reclassification adjustment)		
Exchange differences on translation of financial statements of overseas subsidiaries	**(255)**	(713)
Exchange reserve released upon disposal of discontinued operations	**4,725**	—
Other comprehensive income/(expense) for the year	**4,470**	(713)
Total comprehensive expense for the year	**(107,340)**	(175,860)
Attributable to:		
Equity shareholders of the Company	**(64,392)**	(101,898)
Non-controlling interests	**(42,948)**	(73,962)
Total comprehensive expense for the year	**(107,340)**	(175,860)

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**8,265**	3,193
Intangible assets	**49,458**	8,832
Goodwill	**14,329**	25,235
Derivative financial instruments	**85,997**	16,817
Investment deposits	**5,000**	—
Interests in associates	**14,501**	—
Interests in jointly controlled entities	**409**	—
	177,959	54,077
Current assets		
Inventories	**—**	18
Trade and other receivables	**13,536**	9,444
Restricted bank deposits	**1,728**	1,647
Cash and cash equivalents	**37,101**	4,049
	52,365	15,158
Current liabilities		
Trade and other payables	**52,163**	42,866
Finance lease payables	**309**	—
Convertible bonds	**50,000**	—
Provision for onerous contracts	**1,052**	—
	(103,524)	(42,866)
Net current liabilities	**(51,159)**	(27,708)
Total assets less current liabilities	**126,800**	26,369
Non-current liabilities		
Finance lease payable	**906**	—
Other long-term payables	**—**	36,211
Convertible bonds	**24,505**	—
Derivative financial instruments	**211**	—
Promissory notes	**91,895**	155,048
Deferred tax liabilities	**—**	661
	(117,517)	(191,920)
NET ASSETS/(LIABILITIES)	**9,283**	(165,551)

	2011	2010
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**16,412**	7,964
Reserves	**(7,473)**	(152,468)
Total equity attributable to equity shareholders of the Company	**8,939**	(144,504)
Non-controlling interests	**344**	(21,047)
TOTAL EQUITY	**9,283**	(165,551)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

The Company was incorporated and registered in Hong Kong on 13 October 2000. The shares of the Company are listed on the GEM of the Stock Exchange. The address of the registered office and principal place of business of the Company are at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, the provision of tourist routes and tour related service, and entertainment programme production and advertising, operation of artist training school and provision of artist agency services. The newly acquired subsidiaries are principally engaged in operation of stage drama.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") requires the use of certain critical accounting estimates.

A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed.

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 31 December 2011. The Group incurred a consolidated net loss from operations attributable to equity shareholders of the Company of approximately HK$68,878,000 for the year ended 31 December 2011, and had consolidated net current liabilities of approximately HK$51,159,000 as at 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(1) The Company's substantial shareholder and director have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as and when they fall due;

(2) The holder of the promissory note and convertible bonds of the Company has agreed not to demand repayment until the Company has sufficient fund for repayments;

(3) The Company is successful in obtaining a revolving credit line from two authorised financial institutions in Hong Kong; and

(4) Based on a cashflow forecast prepared by the Group's management for the twelve months ending 31 December 2012, the Group will be able to generate cash flows from its continuing operations.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2011 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Company and the Group. Of these, the following developments are relevant to be the Group's financial statements:

HKAS 24 (Revised 2009)	Related party disclosures
Improvements to HKFRSs (2010)	
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments
Amendment to HK(IFRIC)-Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to HK(IFRIC)-Int 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of the above development are discussed below:

- **HKAS 24 (revised 2009)**

  HKAS 24 (Revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (Revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- **Improvements to HKFRSs (2010)**

  Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The adoption of the other new or revised HKFRS has no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

4. TURNOVER

The Group's turnover comprises the provision of travel agent services, artists management services and operation of stage drama. The Group ceased the business of provision of lottery-based mobile on-line game recharging services following the disposal of the subsidiaries on 4 April 2011. The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
— Artists management income	**1,179**	214
— Revenue from travel agent services	**24,176**	24,519
— Revenue from stage drama	**125**	—
	25,480	24,733
Discontinued operations		
— Mobile recharging service income	**152**	941
	152	941
	25,632	25,674

5. SEGMENT REPORTING

The Group manages its business by divisions. The reportable segments are in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment.

In 2011, the Group had four business segments, namely (i) mobile lottery on-line recharging services, (ii) travel agent services, (iii) entertainment and (iv) stage drama.

— Mobile lottery on-line recharging services: this segment engaged in the provision of nationwide telecommunications value- added services, including package message subscription, payment or recharging services for mobile phone subscribers in the PRC.

— Travel agent services: this segment engaged in the provision of tourist routes and tour related services. Currently the Group's activities in this regard are carried out in the PRC.

— Entertainment: this segment engaged in the training of contracted artists and their assignment to advertisement production. Currently the Group's activities in this regard are carried out in Hong Kong.

— Stage drama: this segment engaged in the stage drama tickets sales. Currently the Group's activities in this regard are carried out in the PRC.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payable to the services and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. adjusted earnings before interest, taxes, depreciation and amortisation, where interest is regarded as including investment income and depreciation and amortisation is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments; depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	2011						
	Continuing operations					**Discontinued operations**	
	Travel agent services	**Entertainment**	**Stage Drama**	**Unallocated head office**	**Sub-total**	**Mobile lottery on-line recharging services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Reportable segment revenue	**24,176**	**1,179**	**125**	**—**	**25,480**	**152**	**25,632**
Elimination of inter-segment revenue	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Consolidated turnover	**24,176**	**1,179**	**125**	**—**	**25,480**	**152**	**25,632**
Profit							
Reportable segment (loss)/profit	**(483)**	**(12,149)**	**(13,861)**	**—**	**(26,493)**	**(444)**	**(26,937)**
Elimination of inter-segment profits	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Reportable segment loss derived from the Group's external customers	**(483)**	**(12,149)**	**(13,861)**	**—**	**(26,493)**	**(444)**	**(26,937)**
Other income and gain, net	**1**	**—**	**—**	**422**	**423**	**—**	**423**
Depreciation and amortisation	**(161)**	**(678)**	**(6,249)**	**(166)**	**(7,254)**	**(604)**	**(7,858)**
Finance costs	**—**	**—**	**(169)**	**(19,830)**	**(19,999)**	**(8)**	**(20,007)**
Impairment loss on non-current assets	**—**	**—**	**(46,364)**	**—**	**(46,364)**	**—**	**(46,364)**
Gain on disposal of discontinued operation	**—**	**—**	**—**	**—**	**—**	**16,671**	**16,671**
Unallocated head office and corporate expenses	**—**	**—**	**—**	**(27,738)**	**(27,738)**	**—**	**(27,738)**
Consolidated loss before taxation	**(643)**	**(12,827)**	**(66,643)**	**(47,312)**	**(127,425)**	**15,615**	**(111,810)**

	2010						
	Continuing operations					Discontinued operations	
	Travel agent services	Entertainment	Stage Drama	Unallocated head office	Sub-total	Mobile lottery on-line recharging services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Reportable segment revenue	24,519	214	—	—	24,733	941	25,674
Elimination of inter-segment revenue	—	—	—	—	—	—	—
Consolidated turnover	24,519	214	—	—	24,733	941	25,674
Profit							
Reportable segment (loss)/profit	512	(2,798)	—	—	(2,286)	(11,616)	(13,902)
Elimination of inter-segment profits	—	—	—	—	—	—	—
Reportable segment (loss)/ profit derived from the Group's external customers	512	(2,798)	—	—	(2,286)	(11,616)	(13,902)
Other income and gain, net	3	—	—	19,887	19,890	1,445	21,335
Depreciation and amortisation	(197)	(17)	—	(71)	(285)	(37,447)	(37,732)
Finance costs	(1)	—	—	(25,203)	(25,204)	(25)	(25,229)
Impairment loss on non-current assets	—	—	—	—	—	(142,292)	(142,292)
Unallocated head office and corporate expenses	—	—	—	(13,993)	(13,993)	(3,171)	(17,164)
Consolidated loss before taxation	317	(2,815)	—	(19,380)	(21,878)	(193,106)	(214,984)

	2011						
	Continuing operations					**Discontinued operations**	
	Travel agent services *HK$'000*	**Entertainment** *HK$'000*	**Stage Drama** *HK$'000*	**Unallocated head office** *HK$'000*	**Sub-total** *HK$'000*	**Mobile lottery on-line recharging services** *HK$'000*	**Total** *HK$'000*
Assets							
Reportable segment assets	**7,280**	**6,943**	**53,448**	**—**	**67,671**	**—**	**67,671**
Elimination of inter-segment receivable	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	7,280	**6,943**	**53,448**	**—**	**67,671**	**—**	**67,671**
Non-current financial assets	**—**	**47,078**	**38,919**	**—**	**85,997**	**—**	**85,997**
Goodwill	**—**	**14,329**	**—**	**—**	**14,329**	**—**	**14,329**
Unallocated head office and corporate assets	**—**	**—**	**—**	**62,327**	**62,327**	**—**	**62,327**
Consolidated total assets	**7,280**	**68,350**	**92,367**	**62,327**	**230,324**	**—**	**230,324**
Liabilities							
Reportable segment liabilities	**(3,233)**	**(20,347)**	**(24,528)**	**—**	**(48,108)**	**—**	**(48,108)**
Elimination of inter-segment payable	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(3,233)	**(20,347)**	**(24,528)**	**—**	**(48,108)**	**—**	**(48,108)**
Deferred tax liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Unallocated head office and corporate liabilities	**—**	**—**	**—**	**(172,933)**	**(172,933)**	**—**	**(172,933)**
Consolidated total liabilities	**(3,233)**	**(20,347)**	**(24,528)**	**(172,933)**	**(221,041)**	**—**	**(221,041)**

	2010						
	Continuing operations					Discontinued operations	
	Travel agent services HK$'000	*Entertainment HK$'000*	*Stage Drama HK$'000*	*Unallocated head office HK$'000*	*Sub-total HK$'000*	*Mobile lottery on-line recharging services HK$'000*	*Total HK$'000*
Assets							
Reportable segment assets	8,090	3,621	—	—	11,711	13,180	24,891
Elimination of inter-segment receivable	—	—	—	—	—	—	—
	8,090	3,621	—	—	11,711	13,180	24,891
Non-current financial assets	—	16,817	—	—	16,817	—	16,817
Goodwill	—	25,235	—	—	25,235	—	25,235
Unallocated head office and corporate assets	—	—	—	2,292	2,292	—	2,292
Consolidated total assets	8,090	45,673	—	2,292	56,055	13,180	69,235
Liabilities							
Reportable segment liabilities	(4,552)	(6,834)	—	—	(11,386)	(197,881)	(209,267)
Elimination of inter-segment payable	—	—	—	—	—	—	—
	(4,552)	(6,834)	—	—	(11,386)	(197,881)	(209,267)
Deferred tax liabilities	—	—	—	—	—	(661)	(661)
Unallocated head office and corporate liabilities	—	—	—	(24,858)	(24,858)	—	(24,858)
Consolidated total liabilities	(4,552)	(6,834)	—	(24,858)	(36,244)	(198,542)	(234,786)

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all of the Group's operating activities are carried out in the PRC. There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there is no transaction with a single external customer equal to or greater than 10 per cent of the Group's total revenues.

6. OTHER INCOME AND GAIN, NET

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other income						
Interest income from banks	**20**	4	**—**	2	**20**	6
Sundry income	**403**	1,994	**—**	4	**403**	1,998
	423	1,998	**—**	6	**423**	2,004
Gain, net						
Gain on waiver of interest payable *(note (i))*	**—**	—	**—**	1,439	**—**	1,439
Gain on cancellation of convertible bonds	**—**	17,892	**—**	—	**—**	17,892
	—	17,892	**—**	1,439	**—**	19,331
	423	19,890	**—**	1,445	**423**	21,335

Note:

(i) During the year ended 31 December 2010, an unsecured loan with interest-bearing at 5% per annum was assigned by an independent third party to a non-controlling interest equity holder. Upon completion of such assignment of debt, the accrued interest was waived and consequently treated as other income.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(a) Finance costs						
Interest on bank advances and other borrowings wholly repayable within five years	**—**	97	**—**	—	**—**	97
Interest on promissory notes	**15,761**	23,361	**—**	—	**15,761**	23,361
Interest on convertible bond	**2,398**	1,731	**—**	—	**2,398**	1,731
Interest on finance lease	**63**	—	**—**	—	**63**	—
Others	**179**	15	**8**	25	**187**	40
Total interest expense on financial liabilities not at fair value through profit or loss	**18,401**	25,204	**8**	25	**18,409**	25,229
Interest on convertible bond	**1,598**	—	**—**	—	**1,598**	—
Interest expense on financial liabilities at fair value through profit or loss	**1,598**	—	**—**	—	**1,598**	—
	19,999	25,204	**8**	25	**20,007**	25,229
(b) Staff costs (including directors' remuneration)						
Termination payment	**—**	—	**—**	121	**—**	121
Contributions to defined contribution retirement plans	**219**	88	**—**	—	**219**	88
Equity-settled share-based payment expenses	**—**	3,530	**—**	—	**—**	3,530
Social security costs	**562**	483	**43**	675	**605**	1,158
Salaries, wages and other benefits	**13,389**	8,588	**298**	4,743	**13,687**	13,331
	14,170	12,689	**341**	5,539	**14,511**	18,228

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(c) Other items						
Amortisation						
— prepaid lease payments	**—**	18	**—**	—	**—**	18
Depreciation						
— leased assets	**202**	—	**—**	—	**202**	—
— own assets	**988**	197	**412**	1,137	**1,400**	1,334
Auditors' remuneration						
— current year	**408**	320	**—**	—	**408**	320
— under-provision in respect of prior years	**—**	200	**—**	—	**—**	200
Operating lease charges in respect of property rentals: minimum lease payments	**4,913**	1,133	**156**	2,745	**5,069**	3,878
Cost of inventories sold	**—**	51	**—**	—	**—**	51
Property, plant and equipment written off	**812**	5	**—**	—	**812**	5
Inventories written off	**18**	—	**—**	—	**18**	—
Allowance for impairment of doubtful debt	**1,000**	—	**—**	—	**1,000**	—
Loss on disposal of property, plant and equipment	**—**	15	**—**	1,345	**—**	1,360
Loss on disposal of prepaid lease payments	**—**	27	**—**	—	**—**	27
Amortisation of intangible assets	**6,064**	88	**192**	36,310	**6,256**	36,398

8. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax						
Provision of PRC Enterprise Income Tax for the year	**5**	—	**—**	—	**5**	—
Deferred tax						
Origination and reversal of temporary differences	**—**	—	**(6)**	(39,837)	**(6)**	(39,837)
	5	—	**(6)**	(39,837)	**(1)**	(39,837)

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2011 and 2010. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC income tax rate is 25% (2010: 25%).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation	**(127,426)**	(21,878)	**15,615**	(193,106)	**(111,811)**	(214,984)
Tax calculated at the applicable rates in the tax jurisdictions concerned	**(22,160)**	(3,606)	**2,490**	(48,130)	**(19,670)**	(51,736)
Tax effect on non-deductible expenses	**33,954**	6,337	**299**	44,963	**34,253**	51,300
Tax effect of non-taxable income	**(12,802)**	(3,346)	**(2,789)**	(365)	**(15,591)**	(3,711)
Tax effect of unused tax losses not recognised	**994**	615	**—**	3,532	**994**	4,147
Tax effect of temporary differences unrecognised for the year	**19**	—	**—**	—	**19**	—
Tax effect on reversal of deferred tax liability	**—**	—	**(6)**	(39,837)	**(6)**	(39,837)
Actual tax expense/(credit)	**5**	—	**(6)**	(39,837)	**(1)**	(39,837)

9. DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserve for the year (2010: Nil).

10. (LOSS)/EARNING PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$68,878,000 (2010: HK$101,335,000) and the weighted average of 276,755,000 (2010: 688,215,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**796,424**	652,258
Effect of issue of consideration shares	**205,276**	10,388
Effect of conversion of convertible bonds	**84,925**	2,551
Effect of issue of placing of shares	**297,152**	18,443
Effect of shares issued upon exercise of share options	**—**	4,575
	1,383,777	688,215
Effect of share consolidation	**(1,107,022)**	—
Weighted average number of ordinary shares at 31 December	**276,755**	688,215

The diluted loss per share for the years ended 31 December 2011 and 2010 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(b) From continuing operations

Basic loss per share for the continuing operations in 2011 and 2010 is calculated based on the loss from the continuing operations of HK$84,676,000 (2010: HK$19,901,000) and the denominators used are the same as those detailed above at (a).

The diluted loss per share from continuing operations for the years ended 31 December 2011 and 2010 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(c) From discontinued operations

Basic earning per share for the discontinued operations is calculated based on the profit from the discontinued operations of HK$15,798,000 (2010: loss of HK$81,434,000) and the denominators used are the same as those detailed above at (a).

The diluted earning/(loss) per share from the discontinued operations for the years ended 31 December 2011 and 2010 is equal to the basic earning/(loss) per share as the outstanding convertible bonds and share options were anti-dilutive.

11. INTANGIBLE ASSETS

The Group

	Exclusive operating licenses *HK$'000*	TMP platform *HK$'000*	Travel agency licenses *HK$'000*	Artistic-related right *HK$'000*	Total *HK$'000*
Cost:					
1 January 2010	801,448	5,000	870	—	807,318
Exchange adjustments	—	191	31	—	222
Additions	—	643	—	—	643
At 31 December 2010 and 1 January 2011	801,448	5,834	901	—	808,183
Exchange adjustments	—	58	45	—	103
Addition through acquisition of subsidiaries	—	—	—	91,668	91,668
Additions	—	—	—	9,850	9,850
Disposal of subsidiaries	(801,448)	(5,892)	—	—	(807,340)
At 31 December 2011	—	—	946	101,518	102,464
Accumulated amortisation and impairment loss:					
1 January 2010	619,539	619	443	—	620,601
Exchange adjustments	—	42	18	—	60
Charge for the year	35,502	808	88	—	36,398
Impairment loss	139,642	2,650	—	—	142,292
At 31 December 2010 and 1 January 2011	794,683	4,119	549	—	799,351
Exchange adjustments	—	16	29	—	45
Charge for the year	25	167	92	5,972	6,256
Disposal of subsidiaries	(794,708)	(4,302)	—	—	(799,010)
Impairment loss	—	—	—	46,364	46,364
At 31 December 2011	—	—	670	52,336	53,006
Carrying amount:					
At 31 December 2011	—	—	276	49,182	49,458
At 31 December 2010	6,765	1,715	352	—	8,832

Notes:

(a) Exclusive operating licenses refer to six licenses granted to the Group's subsidiary, 上海唐路科技服務有限公司, by PRC's Sports Lottery Administrative Centre (體育彩票管理中心) pursuant to six 5-year cooperative agreements entered into between the two parties. The exclusive operating licenses were disposed of through the disposal of discontinued operation on 4 April 2011.

(b) TMP Platform represents Tanglu Mobile Payment Platform of which to provide e-payment and e-recharge services to lottery-based mobile online game subscribers. The TMP Platform was disposed of through the disposal of discontinued operations on 4 April 2011.

(c) Travel agency licenses represent the rights to operate travel agency business within and outside the PRC.

(d) Artistic-related right represents stage drama developed by the Company's subsidiary, Creative Works Limited ("Creative Works"), under a non-exclusive license for adaption of a famous Chinese novel called "Born to be Hero" (天龍八部) as stage drama to be performed worldwide (excluding Japan) for a period until 31 December 2015, which is granted by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-Yung 金庸). The stage drama in development was acquired by the Group through acquisition of its title owner, Creative Works, during the year. Internal development costs incurred for the stage drama have been capitalised after acquisition. The asset is amortised on a straight-line basis over its remaining royalty period of 51 months from the date of its completion of development.

    At 31 December 2011, the directors of the Company reviewed the carrying values of the stage drama, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that an impairment loss HK$46,364,000 should be provided in profit or loss.

12. GOODWILL

The Group

	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 January	**131,465**	106,230
Arising on acquisition of subsidiaries	**—**	25,235
Disposal of discontinued operations	**(106,230)**	—
At 31 December	**25,235**	131,465
Accumulated impairment losses:		
At 1 January	**106,230**	106,230
Written back on disposal of discontinued operations	**(106,230)**	—
Impairment loss for the year	**10,906**	—
At 31 December	**10,906**	106,230
Carrying amount:		
At 31 December	**14,329**	25,235

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generation unit ("CGU") that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2011	2010
	HK$'000	*HK$'000*
Entertainment related industry	**14,329**	25,235

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discounts rates, growth rates and budgeted gross margin and turnover during the period. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated assuming no growth and no material change in the existing scope of business, business environment and market conditions. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13.74%.

The goodwill as at 31 December 2011 was arising on the acquisition of 51% equity interest in Fountain City Holdings Limited in 2010. At 31 December 2011, the directors of the Company reviewed the carrying values of the goodwill, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that an impairment loss HK$10,906,000 should be provided in profit or loss.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Put options				
At 1 January	**16,817**	—	**—**	—
Arising on acquisition of subsidiaries during the year	**7,104**	16,817	**7,104**	—
Changes in fair value	**62,076**	—	**31,815**	—
At 31 December	**85,997**	16,817	**38,919**	—
Call option				
At 1 January	**—**	—	**—**	—
Arising on acquisition of subsidiaries during the year	**(14,315)**	—	**(14,315)**	—
Changes in fair value	**14,104**	—	**14,104**	—
At 31 December	**(211)**	—	**(211)**	—

On 7 October 2010, upon acquisition of 51% equity interest in Fountain City Holdings Limited ("Fountain City") and its subsidiaries (collectively as "Fountain City Group"), the Group entered into a put option agreement with a vendor that the Group is granted a first put option to sell the consideration shares at HK$41,400,000 within the first option period which has started since the completion date and will last for a year. The option is exercisable only when the gross profits of Fountain City Group for the first option period is less than HK$15,000,000. The option lapsed during the year. The Group is also granted a second put option to sell the consideration shares at HK$58,650,000 within the second option period which follows the first option period and will last for a year. The option is exercisable only when the gross profits of Fountain City Group for the second option period is less than HK$30,000,000. The exercisable period is from 22 October 2012 to 21 November 2012.

Upon completion of acquisition of Dragon Gain Worldwide Limited and its subsidiaries (collectively as "Dragon Gain Group") on 1 June 2011, the Group has been granted a call option by the vendor, whereby the Company is entitled to exercise its right at its sole discretion to sell to the vendors all of the equity interests in Dragon Gain Group owned by the Company at HK$49,200,000. The option is exercisable only when the consolidated net profit of Dragon Gain Group is less than HK$25 million ("Profit Guarantee") for the period from 1 July 2011 to 30 June 2013. The Company has also granted a call option to the vendors, whereby the vendors are entitled to exercise their right at their discretion to purchase in aggregate not more than 49% in shares of Dragon Gain Worldwide Limited. The option is exercisable as at the date immediately after three months of the expiry of the Profit Guarantee period. The call option price shall not exceed HK$55 million.

Valuation of the options

The options are measured at fair value estimated by a firm of independent professional valuers in Hong Kong by using the Binomial Option Pricing Model.

The inputs into the model for the value of the options as at 31 December 2011 were as follows:

	Arising on acquisition of Fountain City Group	**Arising on acquisition of Dragon Gain Group**	
	Put option	**Put option**	**Call option**
Annualised volatility	58.7%	51.2%	51.2%
Underlying asset value at date of valuation (HK$'000)	11,363	10,125	10,125
Risk free rate	0.44%	0.33%	0.33%
Dividend yield	0%	0%	0%

The Binomial Option Pricing Model was developed to estimate the fair value of options. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, the Binomial Option Pricing Model costs does not necessarily provide a reliable measure of the fair value of the options.

14. INVESTMENT DEPOSIT

The Group and the Company

	2011	2010
	HK$'000	*HK$'000*
Investment deposits	**5,000**	—

Note: On 14 November 2011, the Group entered into a sale and purchase agreement to acquire entire issued share capital of Creative Star Limited. The total consideration was HK$20 million in which HK$5 million was paid as refundable deposit upon signing of the agreement. The acquisition was completed subsequent to the year end on 28 February 2012.

15. CONVERTIBLE BONDS

The Group and the Company

(a) ***Convertible bonds that do not contain an equity component***

On 28 October 2011, an aggregate principal amount of HK$50,000,000 of the convertible bonds (the "CB I") was issued to Sun Finance Co., Limited at an initial conversion price of HK$0.30 per conversion share with the maturity date falling on the sixth month or, extend at the discretion of the Company, the twelve month of the date of the issue of the convertible bonds. The CB I bear interest rate of 18% per annum. Pursuant to the terms of the CB I, the conversion price is subject to change and will be reset every two months after the issuance date (the "Reset Date") if the arithmetic average of closing price per share of the Company during the thirty consecutive trading days prior to the Reset Date is less than the conversion price in effect, the conversion price will be adjusted to a price equivalent to the arithmetic average of the closing price per share (the "Reset Conversion Price"). The lowest Reset Conversion Price is limited to HK$0.18 per conversion share. Assuming full conversion of the convertible bonds at the initial conversion price of HK$0.30 per share, a total of 166,666,666 shares of the Company will be allotted and issued but there are no conversion shares issued as at year end.

The CB I is classified as derivative financial liability and is recognised initially and subsequently measured at fair value.

The fair values of the bonds were determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

(b) ***Convertible bonds that contain equity component***

On 28 March 2011, an aggregate principal amount of HK$60,000,000 of the zero coupon convertible bonds (the "CB II") was issued to Premier Capital Enterprises Limited at the conversion price of HK$0.28 (adjusted to HK$1.4 follow the consolidation of shares of the Company in October 2011) with the maturity date falling on the second anniversary of the date of the issue of the convertible bonds for settlement of promissory notes with principal amount of HK$61,855,670.

The fair values of the bonds were determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The convertible bonds contain two components, the liability and the equity components. The fair value of the liability component was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity. The residual amount, representing the value of the equity conversion component is presented in equity as a "convertible bond reserve".

The movement of the liability component of the convertible bonds for the year is set out below:

	2011	2010
	HK$'000	*HK$'000*
Fair value on initial recognition	**72,464**	—
Equity component	**(25,090)**	—
Liability component at 1 January/date of issue	**47,374**	110,254
Interest charge	**2,398**	1,731
Interest paid/payable	**—**	(388)
Conversion of convertible bonds during the year	**(25,267)**	(1,765)
Cancellation of convertible bonds during the year	**—**	(109,832)
Carrying amount at 31 December	**24,505**	—

The effective interest rate of the liability component is 14.14% (2010: 17.12%) per annum. Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate to the liability component.

16. PROMISSORY NOTES

The Group and the Company

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**155,048**	131,687
Interest charge	**15,761**	23,361
Settlement made by issuance of convertible bonds	**(54,461)**	—
Settlement of promissory notes	**(12,021)**	—
Adjustment for the difference between the fair value of new promissory notes issued and the carrying amount of existing promissory notes replaced	**(12,432)**	—
At 31 December	**91,895**	155,048

On 15 February 2011, the Company entered into the agreement to restructure the zero coupon promissory note dated 3 December 2010 issued by the Company in the aggregate principal amount of HK$183,541,942 due and repayable on 8 January 2012 (the "Existing Promissory Note") with Premier Capital Enterprises Limited, which is the holder of the Existing Promissory Note and beneficially wholly-owned by Mr. Lam Ho Laam (the "PN Holder"). Pursuant to the agreement, the parties conditionally agreed that (i) a principal amount of HK$61,855,670 outstanding under the Existing Promissory Note shall be early repaid by the Company by way of issue of the convertible bonds in an aggregate principal amount of HK$60,000,000; and (ii) the remaining principal amount outstanding under the Existing Promissory Note shall be settled by the Company issuing the new zero coupon promissory note ("New Promissory Note") to PN Holder having the same terms and conditions of the Existing Promissory Note other than (a) the principal amount shall be the difference of the outstanding principal amount of the Existing Promissory Note immediately prior to completion of the restructuring of the Existing Promissory Note and the part of the outstanding principal amount of the Existing Promissory Note in the sum of HK$61,855,670 which has been early repaid by the Company by way of issue of the convertible bonds (the "Early Repayment Amount") and (b) the maturity date shall

be 8 January 2013 instead of 8 January 2012. The principal amount of the convertible bonds of HK$60,000,000 represents a discount of 3% to the Early Repayment Amount which is determined in accordance with the early repayment terms of the Existing Promissory Note. The restructuring of the Existing Promissory Note was completed on 28 March 2011.

During the year, promissory notes with principal amount of HK$15,463,917 was early repaid by cash settlement of HK$15,000,000. The difference represents a discount of 3% to the early repayment amount in accordance with the early repayment terms of the promissory notes.

The fair value of New Promissory Notes is approximately HK$94,561,000, as at the issue date, calculated based on the effective interest rate of 14.14% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost basis until extinguished on redemption.

17. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of Creative Star Limited

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited ("Creative Star"). The total consideration paid for the acquisition of Creative Star was HK$20,000,000. Upon completion, Creative Star became a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited ("Hong Kong Marketing"). Hong Kong Marketing is incorporated in Hong Kong with limited liability and its principal businesses is product advertising and promotion, marketing agency and planning, function organisation and media project services.

On 28 February 2012, the acquisition of Creative Star Limited was completed. Details of net assets acquired and the calculation of goodwill are as follows:

	HK$'000
Cash consideration	20,000
Fair Value of assets acquired	
— Property and equipment	214
— Current assets	1,884
— Current liabilities	(2,088)
Non-controlling interests	(4)
	6
Goodwill	19,994

The above goodwill is mainly attributable to the extended sales coverage and network and customer base of Hong Kong Marketing Service Limited, expertise of the operator and the expected synergy effect with the Group's existing entertainment businesses.

Details of the transaction were disclosed in the Company's announcements dated 14 November 2011, 25 November 2011 and 20 January 2012 and 28 February 2012 respectively.

(b) Proposed Acquisition of Galaxy Mount International Limited

On 5 August 2011 and 12 August 2011, the Company and a vendor mutually agreed to terminate an acquisition agreement on the acquisition of 25% issued share capital of Galaxy Mount International Limited as a result of the non- availability of certain relevant financial information and entered into a termination agreement. Pursuant to this termination agreement (and the addendum thereof dated 12 August 2011), the vendor shall return the deposits of HK$46 million, unsecured and without interest, in cash to the Company on or before 10 October 2011. As at 31 December 2011, the Company received two cheques for an aggregate amount of HK$4 million post-dated for 9 and 16 December 2011, as partial repayment for the deposits from the vendor, and such two cheques have been cleared.

Due to the prolonged discussion on the repayment schedule and uncertainty on the recoverability of the deposit, the Company made an impairment on the outstanding amount of HK$41,000,000 at the balance sheet date.

Details of the transaction were published in the announcements, of the Company dated 16 December 2010, 6 January 2011, 26 January 2011, 27 April 2011, 5 August 2011 and 30 November 2011.

Save as disclosed elsewhere in this announcement, no other significant events took place subsequent to 31 December 2011.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors	**306**	220	**—**	—
Amount due from a non-controlling interest holder	**32**	10	**—**	—
Amounts due from affiliated companies of a non-controlling interest holder	**17**	17	**—**	—
Other receivables	**2,928**	3,500	**—**	—
Advance to a consultancy company *(note a)*	**4,000**	—	**4,000**	—
Investment deposit refundable *(note b)*	**1,000**	—	**1,000**	—
Rental and other deposits	**2,958**	2,760	**32**	—
Loans and receivables	**11,241**	6,507	**5,032**	—
Prepayments	**2,295**	2,937	**115**	6
	13,536	9,444	**5,147**	6

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expense within one year.

Notes:

(a) The amount represents amount receivable from a consultancy company. Pursuant to the agreement entered into between the consultancy company and the Company, the Company has appointed this consultancy company to solicit a potential investment project in the PRC and to provide consultancy services for a service fee of HK$5,000,000 which full amount has been paid by the Company. The service fee should only be paid upon the successful on soliciting the potential investment. Upon the expiry of the consultancy agreement, since no potential investment had been solicited, the Company requested for a refund on the amount paid. With regard to the negotiation with the consultancy company, the directors of the Company expected that only HK$4,000,000 will be refundable from this consultancy company and impairment loss of HK$1,000,000 was recognised in the consolidated income statement accordingly.

(b) On 27 April 2011, the Company entered into a conditional sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor") for the acquisition of 25% equity interest in Galaxy Mount International Limited at a consideration of HK$212 million, which will be satisfied as to HK$46 million in cash and as to HK$166 million by the issue of convertible note by the Company. Details of the proposed acquisition are set out in the Company's circular dated 27 April 2011 and 13 June 2011. Deposits of HK$46 million (the "Deposits") have been paid by the Group for the acquisition.

On 5 August 2011, the Company and the Vendor mutually agreed to terminate the Agreement and entered into a termination agreement (the "Termination Agreement"). Pursuant to the Termination Agreement, the Vendor and the Company have waived their respective rights under the Agreement with immediate effect and released the other party from further performance of its/his obligations under the Agreement and they also confirmed that they will not lodge any claim against the other in respect of the termination of the Agreement. Pursuant to the Addendum to the Termination Agreement, the Vendor shall return the Deposits of HK$46 million, unsecured and without interest, in cash to the Company on or before 10 October 2011. Up to the date of this announcement, HK$5 million has been refunded to the Company of which HK$4 million was received before 31 December 2011.

Due to the prolonged discussion in arriving at a repayment schedule and uncertainty in the recoverability of the deposit, the directors of the Company were of the opinion that the outstanding balance of the Deposits of HK$41 million would not be recoverable, and accordingly an allowance of HK$41 million was recognised in consolidated income statement for the year ended 31 December 2011.

The Company has already taken legal proceeding against the vendor to recover the outstanding balance due to the Company.

(a) Ageing analysis

An ageing analysis of trade debtors at the balance sheet date is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**136**	101
More than 1 month but within 3 months	**20**	119
More than 3 months but within 6 months	**30**	—
More than 6 months	**120**	—
	306	220

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests.

(b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**306**	220
Less than 1 month past due	**—**	—
	306	220

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors *(note a)*	**117**	334	**—**	—
Other payables and accrued charges	**28,169**	10,423	**4,020**	2,277
Payables for acquisition of property, plant and equipment	**—**	1,169	**—**	—
Short-term loans *(note b)*	**5,384**	4,159	**—**	—
Amounts due to directors	**99**	16,610	**99**	10,769
Amounts due to related persons	**15,450**	6,184	**—**	—
Amount due to a subsidiary	**—**	—	**—**	312
Other taxes and government surcharges payables	**19**	16	**—**	—
Financial liabilities measured at amortised cost	**49,238**	38,895	**4,119**	13,358
Receipts in advance *(note c)*	**2,925**	3,971	**—**	—
	52,163	42,866	**4,119**	13,358

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(a) Ageing analysis

The ageing analysis of trade creditors at the balance sheet date is as follows:

	The Group 2011 HK$'000	2010 HK$'000
Within 1 month	**117**	156
More than 1 month but within 3 months	**—**	178
More than 3 months	**—**	—
	117	334

(b) As at 31 December 2011, the short-term loans are interest-bearing at the rate of 25% per annum (2010: interest-free) and are expected to be settled within one year or are repayable on demand.

(c) The amounts represent prepaid service income from customers, for which the related services are expected to be rendered within one year from the balance sheet date.

20. SHARE CAPITAL

	2011 Number of shares '000	2011 Amount HK$'000	2010 Number of shares '000	2010 Amount HK$'000
Authorised:				
Ordinary shares at HK$0.05 (2010: HK$0.01) each	**2,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At 1 January	**796,424**	**7,964**	652,258	6,523
Shares issued upon conversion of convertible bonds *(note (i))*	**114,000**	**1,140**	3,500	35
Issue of placing shares *(note (ii))*	**409,000**	**4,090**	66,000	660
Shares issued for acquisition of subsidiaries *(note (iii))*	**321,753**	**3,218**	54,166	541
Shares issued upon exercise of share options	**—**	**—**	20,500	205
Share consolidation *(note (iv))*	**(1,312,942)**	**—**	—	—
At 31 December	**328,235**	**16,412**	796,424	7,964

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally as regard to the Company's residual assets.

Notes:

(i) On 28 March 2011, an aggregate principal amount of HK$60,000,000 of the convertible bonds was issued to Premier Capital Enterprises Limited at the conversion price of HK$0.28 with the maturity date falling on the second anniversary of the date of the issue of the convertible bonds. During the year ended 31 December 2011, an aggregate principal amount of HK$31,920,000 of the convertible bonds has been converted into 114,000,000 ordinary shares of the Company.

(ii) On 6 January 2011, the Company issued 94,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.32 per share by way of top-up placement.

On 25 January 2011, the Company issued 64,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.295 per share by way of top-up placement.

On 13 April 2011, the Company issued 100,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.295 per share by way of top-up placement.

On 12 May 2011, the Company issued 65,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.245 per share by way of top-up placement.

On 18 August 2011, the Company issued 86,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.10 per share by way of top-up placement.

(iii) On 18 April 2011, the Company acquired 100% equity interest in Dragon Gain Worldwide Limited and issued 145,283,018 consideration shares of HK$0.01 each credited as fully paid at issue price of HK$0.255 (market price) per share.

On 1 June 2011, the Company acquired 100% equity interest in Solution Gold Limited and issued 176,470,588 consideration shares of HK$0.01 each credited as fully paid at issue price of HK$0.174 (market price) per share.

(iv) The share consolidation, of every five shares of HK$0.01 each in the issued and unissued share capital of the Company consolidated into one consolidation share of HK$0.05 each in the issued and unissued share capital of the Company (the "Share Consolidation") became effective on 19 October 2011. Upon the Share Consolidation has been effective, the existing authorised share capital of the Company is HK$100,000,000 divided into 2,000,000,000 consolidated shares, of which 328,235,569 consolidated shares have been issued and fully paid or credited as fully paid. The board lot size has also been adjusted from 2,000 shares to 5,000 consolidated shares.

(a) Nature and purpose of reserves

(i) *Share premium*

Share premium represents the share premium of the Company, the application of which is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) *Exchange reserve*

The exchange 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.

(iii) *Statutory reserve*

Transfers from 10% of net profits to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid- up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(iv) *Asset revaluation reserve*

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings. The revaluation reserve is not distributable to the equity shareholders of the Company.

(v) *Convertible bond reserve*

The convertible bond reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.

(vi) *Share option reserve*

The share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments.

(b) Distributable reserves

As at 31 December 2011, there was not any aggregate amount of reserves available for distribution to equity shareholders of the Company (2010: Nil).

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the independent auditor's report on the Group's financial statements for the year ended 31 December 2011.

BASIS FOR DISCLAIMER OF OPINION — IMPAIRMENT ASSESSMENT OF INVESTMENT DEPOSIT

As explained in note to the consolidated financial statements, included in trade and other receivables as at 31 December 2011 was outstanding balance of amount advanced to an independent third party of HK$42,000,000 as an investment deposit before provision for impairment being made. Impairment loss of HK$41,000,000 was recognised for the year ended 31 December 2011 for this investment deposit. We have not been provided with sufficient information and explanation to enable us to assess the recoverability of the outstanding balance of aforesaid deposit refundable from that third party and as to whether the amount of the impairment loss determined by the directors of the Company was reasonable. There were no other satisfactory audit procedures that we could adopt to understand and assess whether the impairment loss provided is adequate but not excessive.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the impairment loss of the investment deposit:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

MANAGEMENT DISCUSSION AND ANALYSIS

Entertainment business

The acquisition of Fountain City Holdings Limited in 2010 provides a golden opportunity for the Group to penetrate into the entertainment and artist training industry of Macau which is considered to be a blooming industry in the coming few years. Maria Cordero, a successful singer and artist in Hong Kong, Macau and Asia, who is well experienced in TV program production and artist training, serves as the key operator of our entertainment business provides valuable entertainment segment experience and advices to the Group. Our entertainment business is still in low-pace development and the official school license of our Macau talent academy is in the final stage of approval. Since there's a delay in the granting of the official license of our school and commencement of business, the Group recorded an impairment loss of approximately HK$11 million on the goodwill of this segment. We are optimistic in the future prospects of the business and expect the enrollment will be commenced in the third quarter of 2012.

Stage drama business

With the huge potential market in the stage drama business in the PRC and other Asian regions, the Company acquired 100% equity interest of Dragon Gain Worldwide Limited ("Dragon Gain"), which in turn owns 51% of Creative Works Limited ("Creative Works"). Creative Works is engaged in organization, production and management of stage drama "Born to be Hero" (天龍八部) during the year. The first show was officially launched in Beijing on 15 December 2011 and response was very positive. Since the operation costs in the stage drama business unexpectedly increased by the launch of the drama, the net loss including operating loss, amortization and impairment of intangible assets of this segment reached approximately HK$52 million. The Company is committed to strengthen the cost control policy in this operation. The stage drama will commence to tour-perform in the PRC in 2012.

Travel agency business

The travel industry is still very competitive in the PRC during the year under review. The Group has to face a difficult environment particularly the inflation and the continuous growth in the operating costs. As the annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for PRC citizens, we are optimistic in the business growth of our travel agency operation.

Mobile lottery online ("MLO") recharge business (disposed of during the year)

Despite the Group's efforts to improve the performance of the MLO recharge business, the MLO recharge business has been in significant loss position over the past two years. The MLO business which is highly regulated in the PRC faces great difficulties in financial budgeting and estimation. Besides, the regulatory policies in relation to lottery-based online game are unexpectedly stringent to the extent that few number of online games have been approved which resulted in a low level of revenue being able to be generated from the recharge service. In considering the exposure of excessive risk and the uncertain prospect of the MLO recharge business operation, the whole business was disposed of by the Group during the year under review.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2011, the total assets of the Group was approximately HK$230 million (2010: HK$70 million), including cash and bank balances and restricted bank deposits of approximately HK$39 million (2010: HK$6 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (2010: Nil).

Charges on Group's Assets

As at 31 December 2011, the Group has not pledged any of its assets (2010: nil) to secure banking facilities to the Group.

Capital Structure

During the year, there were a total of HK$31,920,000 convertible bonds converted into 114,000,000 ordinary shares; 409,000,000 shares were issued under placing agreements and 321,753,606 consideration shares were issued. All these shares were issued before the completion of the share consolidation.

In addition, the Company has carried out a share consolidation during the year, of every five shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidation share of HK$0.05 each in the issued and unissued share capital of the Company, therefore, the number of issued share of the Company was 328,235,569 as at 31 December 2011 and the date of this announcement.

COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Contracted but not provided for	—	484

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 year	**3,703**	5,879
Within 5 years and after 1 year	**12,006**	12,215
After 5 years	**6,367**	9,478
	22,076	27,572

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 5 years. The leases did not include any extension options. None of the leases include any contingent rentals.

ACQUISITION OF DRAGON GAIN WORLDWIDE LIMITED

On 18 April 2011, the acquisition of 100% equity interest of Dragon Gain Worldwide Limited ("Dragon Gain") was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Dragon Gain was HK$41,000,000, of which HK$2,500,000 was paid by the Company in cash and HK$38,500,000 had been satisfied by the allotment and issue of 145,283,018 new shares of the Company. Dragon Gain owns 51% equity interest in Creative Works Limited which is engaged in organization, production and management of stage drama worldwide (excluding Japan) including the performance of a famous Chinese novel called "Born to be Hero" (天龍八部), under a license granted by its author Mr. Louis Cha Leung Yung for a period of five years.

Details of the transaction were disclosed in the Company's announcements dated 10 January 2011, 16 February 2011, 22 February 2011, 12 April 2011, 18 April 2011 and 16 December 2011 respectively and the Company's circular dated 24 March 2011.

ACQUISITION OF SOLUTION GOLD LIMITED

On 1 June 2011, the acquisition of 100% equity interest of Solution Gold Limited ("Solution Gold") was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Solution Gold was HK$30,000,000, which was satisfied by the allotment and issue of 176,470,588 new shares of the Company. Solution Gold owns 30% of the issued share capital of Star Most Limited, which in turn owns 65% interest in Stars Excel Limited and 87.5% interest in Fiorucci Limited (the "Star Most Group"). The principal business of the Star Most Group is wholesale, retail distribution and franchising of fashion products, including fashion products under the brand name "Fiorucci".

The Star Most Group has been granted an exclusive right for the use of the Italian fashion label brand "Fiorucci" on or in relation to the marketing and distribution of ladies' wear in Hong Kong, Macau and the PRC. In view of the general state of the retail sector, the number and consumption of visitors in Hong Kong, together with the rapid economic growth and the increasing of brand-conscious consumers in the PRC, the Group's platform in the media and entertainment industry may be utilised to promote the products of the Star Most Group. By utilising our media and entertainment channels in the promotion and marketing of the products of the Star Most Group, we consider that such arrangements would create a synergy effect and benefit to both the business of the Star Most Group and the media and entertainment business of the Group.

Due to the high competitive business environment and sluggish fashion retail segment, the Company made an impairment loss in interests in associates of approximately HK$15 million for this segment for the year 2011.

Details of the acquisition were disclosed in the Company's announcements dated 25 May 2011 and 1 June 2011 respectively.

ACQUISITION OF 25% ISSUED SHARE CAPITAL OF GALAXY MOUNT INTERNATIONAL LIMITED

On 27 April 2011, the Company and a prospective seller entered into a sale and purchase agreement for a potential investment in a paid digital television channel in the PRC. Pursuant to the agreement, the Company has conditionally agreed to acquire 25% of the issued share capital of Galaxy Mount International Limited at a consideration of HK$212,000,000 (the "Galaxy Mount Acquisition"). The Galaxy Mount Acquisition constituted a major transaction for the Company under the GEM Listing Rules.

In view of the prolong time required to obtain the relevant financial information of the target group and there is no concrete schedule when the relevant financial information is made available to the Group, the Company and the prospective seller mutually agreed to terminate the agreement by entering into the termination agreement on 5 August 2011 (the "Termination Agreement"). The Company and the prospective seller have waived their respective rights under the sale and purchase agreement and released the other party from further performance of its/his obligations under the sale and purchase agreement. Pursuant to the termination agreement, the prospective seller shall return the deposit of HK$46,000,000, unsecured and without interest ("Deposit"), in cash to the Company.

On 12 August 2011, the Company and the prospective seller entered into an addendum to the Termination Agreement, pursuant to which the parities thereto confirmed that the Deposit (which bear no interests) shall be returned to the Company in full on or before 10 October 2011 and otherwise without prejudice to other legal rights that the Company may have, the parties shall further negotiate and, subject to mutual agreement, enter into a separate agreement to sort out the deferred repayment arrangement.

By 30 November 2011, the Company announced that two cheques from the prospective seller of an aggregate amount of HK$4,000,000 were received as the partial repayment for the Deposit. The Company strives for the repayment of the remaining HK$42,000,000 of the Deposit from the prospective seller. Up to the date of this announcement, the Deposit of HK$41,000,000 remains outstanding and the Company has already take legal action against the prospective seller for the repayment of the Deposit. Due to the prolonged discussion in arriving at a repayment schedule, failure to obtain asset as security, default in honouring the instalment payment and uncertainty in the recoverability of the deposit, the Company has made an impairment on the deposit of approximately HK$41,000,000.

Details of the transaction were published in the announcements of the Company dated 16 December 2010, 6 January 2011, 26 January 2011, 27 April 2011, 5 August 2011, 12 August 2011 and 30 November 2011 respectively.

ACQUISITION OF CREATIVE STAR LIMITED

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited ("Creative Star"). The total consideration paid for the acquisition of Creative Star was HK$20,000,000. The acquisition, which constituted as a major transaction under the GEM Listing Rules, was completed on 28 February 2012. Creative Star become a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited ("Hong Kong Marketing"). Hong Kong Marketing is incorporated in Hong Kong with limited liability and engaged in product advertising and promotion, marketing agency and planning, function organization and media project services.

Details of the transaction were disclosed in the Company's announcements dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

DISPOSAL OF 65% SHAREHOLDING INTEREST IN, AND LOAN DUE FROM, WISDOM IN HOLDINGS LIMITED

On 30 March 2011, Mega Field International Limited ("Mega Field"), a wholly-owned subsidiary of the Company, the Company (as guarantor of Mega Field) and Mr. Au Chi Kong ("Mr. Au"), an independent third party, entered into the disposal agreement pursuant to which Mr. Au agreed to purchase and Mega Field agreed to sell the 1,300 ordinary shares of US$1.00 par value each in the issued share capital of Wisdom In Holdings Limited (the "Disposed Company") and the loan due from the Disposed Company to Mega Field for an aggregate consideration of HK$2,300,000.

The Disposed Company was a 65% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of lottery-based mobile online game recharge service. The completion of the Disposal took place on 4 April 2011.

Details of the transaction were published in the Company's announcements dated 30 March 2011 and 4 April 2011 respectively.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2011 is set out in note to the financial statements.

OVERVIEW FOR 2011 OPERATION AND PROSPECT

The Group continues to focus in developing our cultural, media and entertainment business. Since the beginning of this financial year, the Group has been exploring various business development and investment opportunities in the cultural and entertainment business in Hong Kong, Macau and China.

During the year, the Group's businesses have been further diversified by acquiring interest in companies which is involved in Chinese stage drama adopted by a famous Chinese novel "Born to be Hero" (天龍八部) and in the wholesale and retail distribution of fashion products. The stage drama "Born to be Hero" was officially launched at Beijing in mid-December 2011 and response was very positive. This was ascribed to the discontinued effort of our drama production crew and attractiveness of our drama story. We believe that the debut not only signified a milestone of the Group to develop and participate in the fast growing entertainment market in the PRC and other Asian regions but also represented a great step in the Chinese stage drama market in the PRC. Regarding our retail and wholesale sector, we consider that the well known Italian fashion label brand "Fiorucci" can provide synergy effect to our existing businesses which include provision of cross-selling and marketing platform for our artist management, training school and the stage drama businesses and provision of resources for brand building of our Group's entertainment business. Although it's expected that there will be a slowdown in the economy growth of the PRC, we are still optimistic to our retailing and wholesale as well as franchising of our "Fiorucci" business in the PRC as the demand of high quality and international reputation fashion products remains strong in the PRC.

We are undergoing an internal restructuring of our existing entertainment business so as to reduce operating costs. The capital investment in our artists training school is already completed and we believe that our artist training school will soon be granted the education license by respective authorities of Macau SAR. It is expected that enrollment of our training courses will commence in the third quarter of 2012.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed, the Directors do not have any future plans for material investment or capital assets.

FOREIGN CURRENCY RISK

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2011, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 64 (2010: 99) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2011 amounted to approximately HK$14 million (2010: HK$13 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CORPORATE GOVERNANCE

The Stock Exchange issued the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply with.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with the Code Provision of the CG Code during the year ended 31 December 2011 except for the deviations from the Code Provisions A.4.1, A.2.1 and E.1.2 of the CG Code as disclosed in the following paragraphs. Throughout the year, the Company continued to strive for improvement on its corporate governance.

Code Provisions A.4.1

According to the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term of service. None of the Independent Non-executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and they shall offer themselves for re-election in accordance with the Articles of Association.

Code Provision E.1.2

Code E.1.2 specifies that the chairman of the Board should attend the annual general meeting. Mr. Wong Wai Sing, the chairman of the Board, was unable to attend the Company's 2011 annual general meeting held on 9 May 2011 due to urgent business engagement but he has appointed Mr. Cheung Man Yau, Timothy to act as his representative at the said meeting.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in 5.48 to 5.67 of the GEM Listing Rules. The Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard and code of conduct during the year under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. During the year ended 31 December 2011, the Audit Committee has performed its duties and review the effectiveness of the internal control system of the Company. The unaudited quarterly and interim together with the audited annual results in respect of the year ended 31 December 2011 have also been reviewed by the Audit Committee.

As at 31 December 2011, the Audit Committee comprised three Independent Non-executive Directors, namely, Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis. Mr. Fung Wai Shing is the chairman of the Audit Committee and applies his professional qualifications in accounting and financial expertise in directing the Audit Committee.

As to Mr. Wong Lit Chor, Alexis has resigned as an Independent Non-executive Director and a member of the Audit Committee on 16 March 2012, Mr. Li Kwok Chu has been appointed as an Independent Non-executive Director and a member of the Audit Committee as the replacement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities except (i) the issue of 94,000,000 shares at a price of HK$0.32 per placing shares by way of top-up placing on 6 January 2011; (ii) the issue of 64,000,000 shares at a price of HK$0.295 per placing shares by way of top-up placing on 25 January 2011; (iii) the issue of 100,000,000 shares at a price of HK$0.295 per placing shares by way of top-up placing on 13 April 2011; (iv) the issue of 65,000,000 shares at a price of HK$0.245 per placing shares by way of top-up placing on 12 May 2011; (v) the issue of 321,753,606 consideration shares as disclosed under the section "Discloseable Transaction Involving Issue of Consideration Shares"; and (vi) the issue of 86,000,000 shares at a price of HK$0.10 per placing shares by way of top-up placing on 18 August 2011.

By order of the Board
TLT Lottotainment Group Limited
Cheung Man Yau, Timothy
Chief Executive Officer and Executive Director

Hong Kong, 30 March 2012

As of the date hereof, the executive Directors are Mr. Cheung Man Yau, Timothy, Mr. Lee Chi Shing, Caesar, Ms. Cheng Sze Man, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; the independent non-executive Directors are Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Li Kwok Chu.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.lottotainment.com.hk.