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 2012

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.

The board of Directors (the "Board") of TLT Lottotainment Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012 together with the comparative figures for the year 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000 (Re-presented)
Continuing operations			
Turnover	*4*	**23,194**	24,176
Cost of service		**(18,860)**	(21,580)
Gross profit		**4,334**	2,596
Other income and gain, net	*6*	**(391)**	207
Gain on fair value changes on derivative financial instruments		**11,572**	76,180
Operating and administrative expenses		**(20,437)**	(22,136)
Impairment loss on investment deposit		**—**	(41,000)
Impairment loss on an associate		**(15,220)**	(15,428)
Impairment loss on jointly controlled entities		**(127)**	—
Gain on reversal of impairment loss on investment deposit		**41,000**	—
Impairment loss on goodwill		**(14,329)**	(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)
Profit/(loss) from operations		**6,402**	(20,088)
Finance costs	*7(a)*	**(31,124)**	(19,814)
Share of losses of an associate		**(1,335)**	(780)
Share of losses of jointly controlled entities		**(1,373)**	(1,091)
Loss before taxation	*7*	**(27,430)**	(41,773)
Taxation	*8*	**—**	(5)
Loss after taxation from continuing operations		**(27,430)**	(41,778)
Discontinued operations			
Loss from discontinued operations		**(28,823)**	(70,032)
Loss for the year		**(56,253)**	(111,810)
Attributable to:			
Equity shareholders of the Company			
— From continuing operations		**(27,993)**	(40,802)
— From discontinued operations		**(18,199)**	(28,076)
		(46,192)	(68,878)
Non-controlling interests			
— From continuing operations		**563**	(977)
— From discontinued operations		**(10,624)**	(41,955)
		(10,061)	(42,932)
Loss for the year		**(56,253)**	(111,810)
Loss per share			
From continuing and discontinued operations	*10(a)*		
Basic		**(70.36) cents**	(24.88) cents
Diluted		**(70.36) cents**	(24.88) cents
From continuing operations	*10(b)*		
Basic		**(42.64) cents**	(14.74) cents
Diluted		**(42.64) cents**	(14.74) cents
From discontinued operations	*10(c)*		
Basic		**(27.72) cents**	(10.14) cents
Diluted		**(27.72) cents**	(10.14) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000
		(Re-presented)
Loss for the year	**(56,253)**	(111,810)
Other comprehensive expenses for the year (after tax and reclassification adjustment)		
Exchange differences on translation of financial statements of overseas subsidiaries	**21**	(255)
Exchange reserve released upon disposal of discontinued operations	**170**	4,725
Other comprehensive income for the year	**191**	4,470
Total comprehensive expense for the year	**(56,062)**	(107,340)
Attributable to:		
Equity shareholders of the Company	**(45,997)**	(64,392)
Non-controlling interests	**(10,065)**	(42,948)
Total comprehensive expense for the year	**(56,062)**	(107,340)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**810**	8,265
Intangible assets		**181**	49,458
Goodwill	*12*	**20,402**	14,329
Derivative financial instruments	*13*	**–**	85,997
Investment deposits	*14*	**–**	5,000
Interests in an associate		**–**	14,501
Interests in jointly controlled entities		**–**	409
		21,393	177,959
Current assets			
Trading Security		**981**	—
Trade and other receivables	*15*	**61,375**	13,536
Restricted bank deposits		**1,721**	1,728
Cash and cash equivalents		**4,491**	37,101
		68,568	52,365
Assets classified as held for sales		**68,772**	—
		137,340	52,365
Current liabilities			
Trade and other payables	*16*	**7,505**	52,163
Provision for onerous contracts		**–**	1,052
Convertible bonds	*17(a)*	**–**	50,000
Interest bearing loan		**122,600**	—
Finance lease payables		**26**	309
		130,131	103,524
Liabilities directly associated with assets classified as held for sales		**29,732**	—
		159,863	103,524
Net current liabilities		**(22,523)**	(51,159)
Total assets less current liabilities		**(1,130)**	126,800
Non-current liabilities			
Finance lease payable		**–**	906
Convertible bonds	*17(b)*	**27,937**	24,505
Derivative financial instruments		**–**	211
Promissory notes		**–**	91,895
		27,937	117,517
NET (LIABILITIES)/ASSETS		**(29,067)**	9,283
CAPITAL AND RESERVES			
Share capital	*19*	**32,824**	16,412
Reserves		**(49,456)**	(7,473)
Total equity attributable to equity shareholders of the Company		**(16,632)**	8,939
Non-controlling interests		**(12,435)**	344
TOTAL EQUITY		**(29,067)**	9,283

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 principal activity of the Company is investment holding. Its subsidiaries are principally engaged in investment holding, the provision of tourist routes and tour related service, and entertainment programme production and advertising and trading of security.

During the year ended 31 December 2012, the Company ceased the operation of stage drama and entertainment segment as discontinued operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current reporting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior reporting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 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 otherwise stated 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 note 41 of the annual report.

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 31 December 2012. The Group incurred a consolidated net loss from operations attributable to equity shareholders of the Company of approximately HK$46,192,000 for the year ended 31 December 2012 (2011: HK$68,878,000), and had consolidated net liabilities of approximately HK$29,067,000 as at 31 December 2012 (2011: net asset HK$9,283,000). 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 directors have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as and when they fall due; and

(2) The Company is successful in obtaining credit line from an authorized financial institution in Hong Kong.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2012 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

In the current year, the company initially applied the following Hong Kong Financial Reporting Standards:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendment to HKAS 12	Recovery of Underlying Assets

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Company's accounting policies or retrospective adjustments of the comparatives presented.

4. TURNOVER

The Group's turnover comprises the provision of travel agent services, advertising and marketing services and trading of security.

For the year ended 31 December 2012, the Group ceased the business of provision of artists management services and operation of stage drama as set out in note 11 of the annual report.

For the year ended 31 December 2011, the Group ceased the business of provision of lottery-based mobile on-line game recharging services as set out in note 11 of the annual report.

The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2012	2011
	HK$'000	HK$'000
		(represented)
Continuing operations		
— Advertising and marketing services	**6,177**	—
— Revenue from travel agent services	**17,017**	24,176
	23,194	24,176
Discontinued operations		
— Artists management income	**277**	1,179
— Revenue from stage drama	**397**	125
— Mobile recharging service income	**—**	152
	674	1,456
	23,868	25,632

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 2012, the Group had four business segments, namely (i) travel agent services, (ii) entertainment, (iii) stage drama, (iv) advertising and marketing services and (v) security:

— 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.

— Advertising and marketing services: This segment engaged in the provision of product advertising and promotion, marketing agency and planning, function organization and media project serves. Currently the Group's activities in this regard are carried out in Hong Kong.

— Security: This segment engaged in trading of Hong Kong listed security. Currently, the Group's activities in this regard are carried out in Hong Kong.

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.

	2012									
	Continuing operations					Discontinued operations				
	Travel agent services HK$'000	Adverting and marketing services HK$'000	Security HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Stage drama HK$'000	Entertainment HK$'000	Unallocated HK$'000	Sub-total HK$'000	Total HK$'000
Revenue										
Reportable segment revenue	17,017	6,177	–	–	23,194	397	277	–	674	23,868
Elimination of inter-segment revenue	–	–	–	–	–	–	–	–	–	–
Consolidated turnover	17,017	6,177	–	–	23,194	397	277	–	674	23,868
Profit										
Reportable segment profit/(loss)	459	1,576	–	–	2,035	(1,265)	(8,756)	(39)	(10,060)	(8,025)
Elimination of inter-segment profits	–	–	–	–	–	–	–	–	–	–
Reportable segment loss derived from the Group's external customers	459	1,576	–	–	2,035	(1,265)	(8,756)	(39)	(10,060)	(8,025)
Other income and gain, net	–	–	(542)	151	(391)	–	104	–	104	(287)
Depreciation and amortisation	157	78	–	–	235	(11,612)	(1,543)	(60)	(13,215)	(12,980)
Finance costs	(5)	(12)	–	(31,107)	(31,124)	(993)	(11)	(1)	(1,005)	(32,129)
Share of losses on associate	–	–	–	(1,335)	(1,335)	–	–	–	–	(1,335)
Share of losses on jointly controlled entities	–	–	–	(1,373)	(1,373)	–	–	–	–	(1,373)
Gain on fair value change on derivative financial instruments	–	–	–	11,572	11,572	–	–	–	–	11,572
Gain on reversal of impairment loss on investment deposit	–	–	–	41,000	41,000	–	–	–	–	41,000
Impairment loss on goodwill	–	–	–	(14,329)	(14,329)	–	–	–	–	(14,329)
Impairment loss on associate	–	–	–	(15,220)	(15,220)	–	–	–	–	(15,220)
Impairment loss on jointly controlled entities	–	–	–	(127)	(127)	–	–	–	–	(127)
Loss on disposal of discontiued operations	–	–	–	–	–	(5,330)	–	683	(4,647)	(4,647)
Unallocated head office and corporate expenses	–	–	–	(18,373)	(18,373)	–	–	–	–	(18,373)
Consolidated profit/(loss) before taxation	611	1,642	(542)	(29,141)	(27,430)	(19,200)	(10,206)	583	(28,823)	(56,253)

	2011							
	Continuing operations			Discontinued operations				
	Travel agent services HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Mobile lottery on-line recharging services HK$'000	Sub-total HK$'000	Total HK$'000
Revenue								
Reportable segment revenue	24,176	–	24,176	1,179	125	152	1,456	25,632
Elimination of inter-segment revenue	–	–	–	–	–	–	–	–
Consolidated turnover	24,176	–	24,176	1,179	125	152	1,456	25,632
Profit								
Reportable segment (loss)/profit	(483)	–	(483)	(11,740)	(20,000)	179	(31,561)	(32,044)
Elimination of inter-segment profits	–	–	–	–	–	–	–	–
Reportable segment (loss)/profit derived from the Group's external customers	(483)	–	(483)	(11,740)	(20,000)	179	(31,561)	(32,044)
Other income and gain, net	1	422	423	–	–	–	–	423
Depreciation and amortisation	(161)	(166)	(327)	(678)	(6,249)	(604)	(7,531)	(7,858)
Finance costs	–	(19,814)	(19,814)	(16)	(169)	(8)	(193)	(20,007)
Impairment loss on non-current assets	–	–	–	–	(46,364)	(1,055)	(47,419)	(47,419)
Gain on disposal of discontinued operation	–	–	–	–	–	16,672	16,672	16,672
Unallocated head office and corporate expenses	–	(21,577)	(21,577)	–	–	–	–	(21,577)
Consolidated (loss)/profit before taxation	(643)	(41,135)	(41,778)	(12,434)	(72,782)	15,184	(70,032)	(111,810)

	2012									
	Continuing operations					Discontinued operations				
	Travel agent services HK$'000	Advertising and marketing services HK$'000	Security HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Stage Drama HK$'000	Entertainment HK$'000	Unallocated HK$'000	Sub-total HK$'000	Total HK$'000
Assets										
Reportable segment assets	7,254	2,949	1,469	–	11,672	–	10,122	–	10,122	21,794
Elimination of inter-segment receivable	–	–	–	–	–	–	–	–	–	–
	7,254	2,949	1,469	–	11,672	–	10,122	–	10,122	21,794
Non-current financial assets	–	–	–	–	–	–	58,650	–	58,650	58,650
Goodwill	–	20,402	–	–	20,402	–	–	–	–	20,402
Unallocated head office and corporate assets	–	–	–	57,856	57,856	–	–	–	–	57,856
Consolidated total assets	7,254	23,351	1,469	57,856	89,930	–	68,772	–	68,772	158,702
Liabilities										
Reportable segment liabilities	(4,070)	(1,969)	–	–	(6,039)	–	(29,732)	–	(29,732)	(35,771)
Elimination of inter-segment payable	–	–	–	–	–	–	–	–	–	–
Unallocated head office and corporate liabilities	–	–	–	(152,029)	(152,029)	–	–	–	–	(152,029)
Consolidated liabilities	(4,070)	(1,969)	–	(152,029)	(158,068)	–	(29,732)	–	(29,732)	(187,800)

	2011							
	Continuing operations			Discontinued operations				
	Travel agent services HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Mobile lottery on-line recharging services HK$'000	Sub-total HK$'000	Total HK$'000
Assets								
Reportable segment assets	7,280	–	7,280	6,943	53,448	–	60,391	67,671
Elimination of inter-segment receivable	–	–	–	–	–	–	–	–
	7,280	–	7,280	6,943	53,448	–	60,391	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	62,327	69,607	68,350	92,367	–	160,717	230,324
Liabilities								
Reportable segment liabilities	(3,233)	–	(3,233)	(20,347)	(24,528)	–	(44,875)	(48,108)
Elimination of inter-segment payable	–	–	–	–	–	–	–	–
	(3,233)	–	(3,233)	(20,347)	(24,528)	–	(44,875)	(48,108)
Unallocated head office and corporate liabilities	–	(172,933)	(172,933)	–	–	–	–	(172,933)
Consolidated total liabilities	(3,233)	(172,933)	(176,166)	(20,347)	(24,528)	–	(44,875)	(221,041)

Geographical segments

The Group operates in two principal geographical areas – the People's Republic of China (the "PRC") and Hong Kong. The following table provides an analysis of the Group's revenue and asset from external customers by geographical location:

	Revenue from external customers		Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
– PRC	**17,017**	24,176	**7,254**	7,280
– Hong Kong	**6,177**	—	**4,418**	—
	23,194	24,176	**11,672**	7,280
Discontinuing operations				
– PRC	**397**	277	**—**	53,448
– Hong Kong	**277**	—	**—**	—
– Others	**—**	1,179	**10,122**	6,943
	674	1,456	**10,122**	60,391

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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income						
Interest income from banks	**46**	20	**—**	—	**46**	20
Sundry income	**105**	187	**104**	216	**209**	403
	151	207	**104**	216	**255**	423
Gain, net						
Change in fair value on trading of security	**(542)**	—	**—**	—	**(542)**	—
	(542)	—	**—**	—	**(542)**	—
	(391)	207	**104**	216	**(287)**	423

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	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	**14,188**	–	**–**	–	**14,188**	–
Interest on promissory notes	**8,105**	15,761	**–**	–	**8,105**	15,761
Interest on convertible bond	**2,398**	2,398	**–**	–	**2,398**	2,398
Interest on finance lease	**48**	63	**12**	–	**60**	63
Others	**63**	(6)	**993**	193	**1,056**	187
Total interest expense on financial liabilities not at fair value through profit or loss	**24,802**	18,216	**1,005**	193	**25,807**	18,409
Interest on convertible bond	**6,322**	1,598	**–**	–	**6,322**	1,598
Interest expense on financial liabilities at fair value through profit or loss	**6,322**	1,598	**–**	–	**6,322**	1,598
	31,124	19,814	**1,005**	193	**32,129**	20,007
(b) Staff costs (including directors' remuneration)						
Contributions to defined contribution retirement plans	**164**	219	**12**	–	**176**	219
Social security costs	**423**	562	**–**	43	**423**	605
Salaries, wages and other benefits	**5,872**	13,389	**4,435**	298	**10,307**	13,687
	6,459	14,170	**4,447**	341	**10,906**	14,511
(c) Other items						
Depreciation						
– leased assets	**269**	202	**91**	–	**360**	202
– own assets	**111**	988	**1,554**	412	**1,665**	1,400
Auditors' remuneration						
– current year	**566**	408	**40**	–	**606**	408
Operating lease charges in respect of property rental	**1,053**	4,913	**2,551**	156	**3,604**	5,069
Property, plant and equipment written off	**–**	812	**–**	–	**–**	812
Inventories written off	**–**	18	**–**	–	**–**	18
Allowance for impairment of doubtful debt	**79**	1,000	**–**	–	**79**	1,000
Loss on disposal of property, plant and equipment	**58**	–	**–**	–	**58**	–
Amortisation of intangible assets	**93**	6,064	**11,570**	192	**11,663**	6,256

8. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	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)	**–**	(6)
	–	5	**–**	(6)	**–**	(1)

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 2012 and 2011. 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% (2011: 25%).

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

	Continuing operations		Discontinued operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation	**(27,430)**	(41,778)	**(28,823)**	(70,032)	**(56,253)**	(111,810)
Tax calculated at the applicable rates in the tax jurisdictions concerned	**(4,526)**	(6,893)	**(4,756)**	(11,555)	**(9,282)**	(18,448)
Tax effect on non-deductible expenses	**8,800**	18,687	**11,681**	14,344	**20,481**	33,031
Tax effect of non-taxable income	**(4,547)**	(12,802)	**(7,124)**	(2,789)	**(11,671)**	(15,591)
Tax effect of unused tax losses not recognised	**–**	994	**199**	–	**199**	994
Utilisation of tax loss	**273**	–	**–**	–	**273**	–
Tax effect of temporary differences unrecognised for the year	**–**	19	**–**	–	**–**	19
Tax effect on reversal of deferred tax liability	**–**	–	**–**	(6)	**–**	(6)
Actual tax expense/(credit)	**–**	5	**–**	(6)	**–**	(1)

9. DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserve for the year (2011: Nil).

10. LOSS 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$46,192,000 (2011: HK$68,878,000) and the weighted average of 65,647,000 (2011: 276,755,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2012	2011
	'000	'000
Issued ordinary shares at 1 January	**328,235**	796,424
Effect of issue of consideration shares	**—**	205,276
Effect of conversion of convertible bonds	**—**	84,925
Effect of issue of placing of shares	**65,647**	297,152
Effect of issue of rights shares	**196,941**	—
Effect of shares issued upon exercise of share options	**—**	—
	590,823	1,383,777
Effect of share consolidation	**(531,741)**	(1,107,022)
Effect of issue of placing of shares after share consolidation	**6,565**	—
Weighted average number of ordinary shares at 31 December	**65,647**	276,755

The diluted loss per share for the years ended 31 December 2012 and 2011 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 2012 and 2011 is calculated based on the loss from the continuing operations of HK$27,993,000 (2011: HK$40,802,000) 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 2012 and 2011 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(c) From discontinued operations

Basic loss per share for the discontinued operations is calculated based on the loss from the discontinued operations of HK$18,199,000 (2011: loss of HK$28,076,000) and the denominators used are the same as those detailed above at (a).

The diluted loss per share from the discontinued operations for the years ended 31 December 2012 and 2011 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

11. INTANGIBLE ASSETS

	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 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 and 1 January 2012	—	—	946	101,518	102,464
Exchange adjustments	—	—	(8)	(10)	(18)
Disposal of discontinued operations	—	—	—	(101,508)	(101,508)
At 31 December 2012	—	—	938	—	938
Accumulated amortisation and impairment loss:					
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 and 1 January 2011	—	—	670	52,336	53,006
Exchange adjustments	—	—	(6)	—	(6)
Charge for the year	—	—	93	11,570	11,663
Disposal of discontinued operations	—	—	—	(63,906)	(63,906)
At 31 December 2012	—	—	757	—	757
Carrying amount:					
At 31 December 2012	—	—	181	—	181
At 31 December 2011	—	—	276	49,182	49,458

Notes:

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

(b) 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.

12. GOODWILL

	2012	2011
	HK$'000	HK$'000
Cost:		
At 1 January	**25,235**	131,465
Arising on acquisition of subsidiaries	**20,402**	—
Disposal of discontinued operations	**—**	(106,230)
Transfer to assets held for sales	**(25,235)**	—
At 31 December	**20,402**	25,235
Accumulated impairment losses:		
At 1 January	**10,906**	106,230
Written back on disposal of discontinued operations	**—**	(106,230)
Impairment loss for the year	**14,329**	10,906
Transfer to assets held for sales	**(25,235)**	—
At 31 December	**—**	10,906
Carrying amount:		
At 31 December	**20,402**	14,329

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:

	2012	2011
	HK$'000	HK$'000
Advertising and Marketing Business	**20,402**	—
Entertainment related industry	**—**	14,329

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 ten-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 7.61% (2011: 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.

The goodwill as at 31 December 2012 was arising on the acquisition of entire share capital of Creative Star Limited in 2012 and the details are set out in note 36(a) of the annual report.

At 31 December 2012, 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, the directors are of the opinion that impairment loss of approximately HK$ 14,329,000 has been recognized in the profit and loss (2011: HK$10,906,000).

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 HK$'000	2011 HK$'000
Put options		
At 1 January	**85,997**	16,817
Arising on acquisition of subsidiaries during the year	**–**	7,104
Changes in fair value	**11,572**	62,076
Transfer to assets held for sales	**(58,650)**	—
Exercise of put option	**(38,919)**	—
At 31 December	**–**	85,997
Call option		
At 1 January	**(211)**	—
Arising on acquisition of subsidiaries during the year	**–**	(14,315)
Changes in fair value	**–**	14,104
Derecognition of derivative financial instruments	**211**	—
At 31 December	**–**	(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.

On 28 December 2012, the Company exercised the put options as disclosed in note 11 of the annual report.

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.

For the year of 2012, as disclosed in note 11 of the annual report, the Group exercised the put options, therefore such put option has transferred to assets held for sales.

Valuation of the options

For the year of 2011, 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**
Annualized 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 DEPOSITS

	2012	2011
	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$20,000,000 in which HK$5,000,000 was paid as refundable deposit upon signing of the agreement. The acquisition was completed on 28 February 2012.

15. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade debtors	**2,422**	306
Amount due from a non-controlling interest holder	**–**	32
Amounts due from affiliated companies of a non-controlling interest holder	**–**	17
Other receivables	**44,186**	2,928
Advance to a consultancy company *(note a)*	**–**	4,000
Investment deposit refundable *(note b)*	**–**	1,000
Rental and other deposits	**7,191**	2,958
Loans and receivables	**53,799**	11,241
Prepayments	**7,576**	2,295
	61,375	13,536

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) It represents the 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 profit and loss 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 report, 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 profit and loss for the year ended 31 December 2011.

On 21 December 2012, Mr. Gao Feng has fully refunded the outstanding deposit of HK$41 million to the Company as at 21 December 2012. As such, the relevant allowance has been reversed as other income and recognised in the profit and loss for the year ended 31 December 2012.

(a) Ageing analysis

An ageing analysis of trade debtors at the end of reporting period date is as follows:

	2012	2011
	HK$'000	HK$'000
Within 1 month	**1,383**	136
More than 1 month but within 3 months	**500**	20
More than 3 months but within 6 months	**—**	30
More than 6 months	**539**	120
	2,422	306

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. Further details on the Group's credit policy are set out in note 37 of the annual report.

(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:

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**2,422**	306
Less than 1 month past due	**—**	—
	2,422	306

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.

16. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade creditors *(note a)*	**619**	117
Other payables and accrued charges	**2,080**	28,169
Short-term loans *(note b)*	**—**	5,384
Amounts due to directors	**—**	99
Amounts due to related persons	**280**	15,450
Other taxes and government surcharges payables	**7**	19
Financial liabilities measured at amortised cost	**2,986**	49,238
Receipts in advance *(note c)*	**4,519**	2,925
	7,505	52,163

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 end of the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
Within 1 month	**347**	117
More than 1 month but within 3 months	**155**	—
More than 3 months	**117**	—
	619	117

(b) As at 31 December 2011, the short-term loans are interest-bearing at the rate of 25% per annum 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 end of the reporting period.

17. CONVERTIBLE BONDS

(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 ("Sun Finance") at an initial conversion price of HK$0.30 per conversion share under the terms and conditions of the instrument dated 28 October 2011 constituting the CB I (the "Instrument"), 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 CB I. 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 31 December 2011.

On 24 May 2012, the Company received a letter from Sun Finance stating that the Instrument had already been terminated. After careful consideration by the Board, on 25 May 2012 the Company accepted Sun Finance's position regarding termination of the Instrument. The Company paid the debt owing to Sun Finance on 3 August 2012 which detailed in note 44(a) of the annual report.

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

The fair values of the CB I 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 CB II 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 CB II 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".

	2012 **HK$'000**	2011 HK$'000
Proceed of issue:	**–**	72,464
Equity component	**–**	(25,090)
Liability component at date of issue	**–**	47,374

The movements in liability component of the convertible notes were set out as follows:

	HK$'000
As at 1 January 2011	—
Issue of Convertible Bonds	47,374
Imputed interest	2,398
Conversion of Convertible Bonds	(25,267)
As at 31 December 2011 and as at 1 January 2012	24,505
Imputed interest	3,432
As at 31 December 2012	27,937

The effective interest rate of the liability component is 14.14% (2011: 14.14%) per annum. Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate to the liability component.

18. PROMISSORY NOTES

	2012	2011
	HK$'000	HK$'000
At 1 January	**91,895**	155,048
Interest charge	**8,105**	15,761
Settlement made by issuance of convertible bonds	**–**	(54,461)
Settlement of promissory notes	**(100,000)**	(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

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 of 2011, 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.

On 8 June 2012, the Company received an offer from the PN Holder to early redeem the promissory note with principal amount of HK$106,222,355 by paying them a sum of HK$100,000,000 in complete discharge of the Company's liabilities under the promissory note.

On 11 June 2012, the Company accepted the PN Holder's offer and the promissory notes with principal amount of HK$106,222,355 was early repaid by cash settlement of HK$100,000,000.

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.

19. SHARE CAPITAL AND RESERVE

	2012		2011	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares at HK$0.5 (2011: HK$0.05) each	**2,000,000**	**100,000**	2,000,000	100,000
Issued and fully paid:				
At 1 January	**328,235**	**16,412**	796,424	7,964
Shares issued upon conversion of convertible bonds *(note (i))*	**—**	**—**	114,000	1,140
Issue of placing shares *(note (ii))*	**65,647**	**3,282**	409,000	4,090
Shares issued for acquisition of subsidiaries *(note (iii))*	**—**	**—**	321,753	3,218
Issue of rights share *(note (iv))*	**196,941**	**9,847**	—	—
Share consolidation *(note (v))*	**(531,741)**	**—**	(1,312,942)	—
Issue of placing shares after share consolidation *(note (vi))*	**6,565**	**3,283**	—	—
At 31 December	**65,647**	**32,824**	328,235	16,412

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 5 June 2012, the Company issued and allotted 65,647,113 shares at a price of HK$0.12 per shares by way of placing. The details were disclosed in the announcement of the Company dated 23 May 2012.

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) On 22 August 2012, the shareholders of the Company approved a rights issue on the basis of one rights share for every two shares at a subscription price of HK$0.05 per rights share. The rights issue became unconditional on 11 September 2012. 196,941,341 rights shares with the par value of HK$0.05 each were allotted and issued on 14 September 2012. Details of the rights issue were set out in the circulars of the Company dated 25 July 2012 and 23 August 2012 and the announcement of the Company dated 3 August 2012 and 13 September 2012.

(v) On 19 September 2012, the share consolidation of every ten shares of HK$0.05 each in the issued and unissued share capital of the Company consolidated into one consolidated share of HK$0.5 each in the issued and unissued share capital of the Company (the "Share Consolidation") became effective on 19 September 2012. Upon the Share Consolidation has become effective, the authorised share capital of the Company became HK$100,000,000 divided into 200,000,000 consolidated shares of HK$0.5 each, of which 59,082,402 consolidated shares has been issued and fully paid or credited as fully paid. Details of the Share Consolidated were set out in the announcements of the Company dated 8 June 2012, 6 July 2012, 18 July 2012 and 18 September 2012 and the circular of the Company dated 27 August 2012.

    On 19 October 2011, the Company proposed a 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.

(vi) On 11 October 2012, an aggregate of 6,364,711 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK$0.5 per Placing Share pursuant to the terms and conditions of the Placing Agreement. Details of the Placing were published in the Company announcement dated 4 October 2012 and 11 October 2012.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the annual report.

(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 set out in note 2(v) of the annual report.

(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 in note 2(h). 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 in note 2(n) of the annual report.

(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 in note 2(r)(iii) of the annual report.

Distributable reserves
As at 31 December 2012, there was not any aggregate amount of reserves available for distribution to equity shareholders of the Company (2011: Nil).

20. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) On 26 November 2012, the Group, through its wholly owned subsidiary, Fame Network Limited ("Fame Network"), entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Mass Apex Limited at a consideration of HK$68 million. The consideration shall be settled by cash of HK$9.2 million and promissory note of HK$58.8 million.

The transaction has not yet been completed up to the date of approval of these financial statements.

(b) On 28 December 2012, Brilliant Reach Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Group and the original purchaser of 51% of the entire issued share capital of Fountain City Holdings Limited ("Option Shares"), has exercised the Put Option to put back the Option Shares to their original vendor, Diwang Limited (the "Vendor") at the Option Exercise Price of HK$58.65 million.

Pursuant to the terms of the Agreement dated 7 October 2010, the Purchaser and the Vendor, completion of putting back the Option Shares from the Purchaser to the Vendor shall take place within 180 days from the date of exercising the Put Option (i.e., on or before 26 June 2013).

(c) On 8 January 2013, the Company and the Noteholder entered into the Extension Agreement to amend the Conditions relating to (i) the maturity date of the Convertible Note by extension of one year to 28 March 2014; (ii) interest by providing interest of 2% per annum on the outstanding principal of the Convertible Note and related provisions on the extinction of rights to repayment, interest on conversion amount, early redemption by the Company and non-payment; (iii) the right to convert into Shares by changing it from 5% to 29.9%; (iv) the public float restriction by adding new Condition and (v) the Conversion Price by changing it to HK$0.50 per Conversion Share.

As at 31 December 2012, the aggregate outstanding principal amount of the Convertible Note is HK$27,937,000 which is legally and beneficially owned by the Noteholder. The transaction has not yet been completed up to the date of approval of these financial statements.

(d) On 5 February 2013, the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Open Offer, on a fully underwritten basis. The Company proposes to raise not less than approximately HK$65.6 million and not more than approximately HK$65.8 million before expenses by issuing not less than 131,294,226 Offer Shares and not more than 131,635,698 Offer Shares at the Offer Price of HK$0.50 per Offer Share on the basis of two Offer Shares for every one existing Share held on the Record Date and payable in full on acceptance.

The transaction has not yet been completed up to the date of approval of these financial statements.

(e) On 5 February 2013, the Board has determined by resolution to propose to the Shareholders to increase the authorised share capital of the Company from HK$100,000,000 to HK$1,000,000,000 by the creation of 1,800,000,000 new Shares of HK$0.50 each and shall convene a meeting of the Shareholders to pass an ordinary resolution to approve the increase of the authorized share capital of the Company.

The transaction has not yet been completed up to the date of approval of these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Entertainment business

The uncertainty of granting the official school license to Macau Talent Academy leads to serious deferment of the development and has adverse effect on financial performance of this segment. Entertainment business has failed to provide any profits to the Group. As such, on 28 December 2012, the Group took corrective action by exercising the Fountain City Put Option to put back the whole entertainment business to the vendor to mitigate the loss. Disposal of the entertainment business will be subject to Shareholders' approval.

Stage drama business (disposed during the year)

In view of the unsatisfactory sales performance, failure to secure sponsorship and unexpected increase of operating cost, despite the Group's effort in tightening the cost control, stage drama business has failed to bring in economic benefits to the Group and has caused adverse financial result to the Group. As a result of unsatisfactory result of the stage drama business, on 28 December 2012, the Group has exercised the Dragon Gain Put Option to put back the whole business to the vendor and discontinued stage drama operation.

Travel agency business

Travel agency business operates with stable and internally generated cash flow and ranks first in revenue contribution to the Group. Business environment of the PRC travel industry remains competitive and the Group has to face a difficult environment, in particular, continuous growth in the operating costs due to inflation. However, given that annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for PRC citizen, the Directors are optimistic in the business growth of its travel agency operation.

Advertising and marketing services

Advertising and marketing business generates stable cash flow which ranks second in revenue contribution to the Group and becomes one of the core businesses of the Group. Following disposal of underperforming entertainment and stage drama businesses, the Group will focus and reallocate its resources for pursuing business development in advertising and marketing business, including reposition of its service mix and widening its scope of services to capture potential business opportunities in function organization for enhancing its performance with its internally generated cash flow.

Securities trading business

Due to the economic downturn in the United States and triggered by the unresolved European debt issue, the condition of Hong Kong stock market is relatively volatile. The Group will keep focusing and balancing the risk and return from its investment and will closely monitor the performance of its investment portfolio. Furthermore, the Group will take corrective action to change its investment portfolio to minimize the risk and maximize the return when appropriate.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2012, the total assets of the Group was approximately HK$158 million (2011: HK$230 million), including cash and bank balances and restricted bank deposits of approximately HK$6 million (2011: HK$39 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (2011: Nil).

Charges on Group's Assets

As at 31 December 2012, the Company has charged its all the undertaking property, assets, goodwill, rights and revenues to the lender by way of fund floating charge to secure a unguaranteed loan facility.

Capital Structure

During the year, the Company issued 196,941,341 shares by way of Rights Issue on the basis of one rights share for every two existing shares held at the subscription price of HK$0.05 per rights share.

The Company has carried out a share consolidation during the year, of every ten shares of HK$0.05 each in the issued and unissued share capital of the Company were consolidated into one consolidation share of HK$0.50 each in the issued and unissued share capital of the Company.

In addition, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 6,564,711 placing shares to not less than 6 independent places at a price of HK$0.5 per placing share. The aggregate nominal value of the placing shares under the placing agreement will be approximately HK$3,282,355, therefore, the number of issued share of the Company was 65,647,113 as at 31 December 2012 and the date of this report.

COMMITMENTS

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 1 year	**3,181**	3,703
Within 5 years and after 1 year	**13,024**	12,006
After 5 years	**2,894**	6,367
	19,099	22,076

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 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 Services 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.

ACQUISITION OF MASS APEX LIMITED

As disclosed in the Company announcement dated 26 November 2012, the Company, through its wholly owned subsidiary, Fame Network Limited to acquire the entire issued share capital of Mass Apex Limited which principally engaged in the trading of raw food material business in Hong Kong at a consideration of HK$68,000,000.

The acquisition constitutes a very substantial acquisition pursuant to the terms and conditions set out in the conditional sale and purchase agreement and is subject to shareholder's approval at an extraordinary general meeting to be convened around second quarter of 2013.

DISPOSAL OF 100% SHAREHOLDING INTEREST IN CIRCLE ONE INTERNATIONAL LIMITED

On 31 August 2012, an independent third party, agreed to purchase and the Company agreed to sell the 1 ordinary shares of US$1.00 par value each in the issued share capital of Circle One International Limited (the "Disposal Company").

The Disposed Company was a 100% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of internet spot gaming. The completion of the Disposal took place on 31 August 2012.

DISPOSAL OF 100% SHAREHOLDING INTEREST IN DRAGON GAIN WORLDWIDE LIMITED

On 28 December 2012, the Company and the Vendors, have agreed on the early exercise by the Company of the Put Option of Dragon Gain Worldwide Limited ("the Disposed Company") to put back the Sale Shares to the Vendors' nominee at the Put Option Price of HK$49,200,000 as the Vendors had acknowledged that it was their assessment that Consolidated Net Profit would not be able to meet with the Profit Guarantee.

The Disposed Company was a 100% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is engaged in operation of stage drama.

Details of the transaction were published in the Company's announcements dated 26 June 2012, 12 December 2012 and 28 December 2012 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 2012 is set out in note 13 of the annual report.

OVERVIEW FOR 2012 OPERATION AND PROSPECT

Continued with difficult operating environment from last year, the financial year 2012 was strait to the Group. The prices of fuel in the global market were persistently in high level which led to adverse impact on margin and the loss in the travel agency business. With an under-performing result from Stage Drama and Entertainment businesses, the Group has exercised its right to put back those segments to the original vendors. In view of the difficult situation in financial year 2012, the Group has acquired a marketing and advertising business to broaden its business opportunity.

The Group has appointed certain new directors during the year. The new management team is going to review the current operation of the Group and to formulate new business strategy and direction. The Group is optimistic to 2012 onwards and has confidence that the Group will benefit from the new management extensive experience and widespread business connection within the market. The Group will continue to implement prudent financial control and enhance stringent cost control measures to cope with the challenge. The Group has the need to raise more funding to strengthen the capital base. While continuing the existing business, the Group will also seek possible investment opportunities to broaden the revenue base.

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 2012, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 62 (2011: 64) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2012 amounted to approximately HK$11 million (2011: HK$14 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CORPORATE GOVERNANCE

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (effective until 31 March 2012) (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 15 of the GEM Listing Rules and came into full effect on 1 April 2012.

Throughout the year ended 31 December 2012, the Company has complied with most of the Code Provisions of the Former CG Code for the period from 1 January 2012 to 31 March 2012 and of the Revised CG Code for the period from 1 April 2012 to 31 December 2012, save for the deviations from code provisions A.2.1 and A.4.1 which are explained below.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the Revised CG Code and align with the latest developments.

According to the code provision A.4.1 of the Revised 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 offer themselves for re-election at the annual general meeting at least once for every three years in accordance with the Articles of Association. The Company believes such practice meets the same objective and no less exacting than those prescribed under Code Provision A.4.1.

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the year ended 31 December 2012, Ms. Yip Man Yi acted as the chairman of the Company (the "Chairman") and Mr. Cheung Man Yau, Timothy acted as the chief executive officer of the Company (the "CEO"). The roles of the Chairman and the CEO are segregated and performed by Ms. Yip Man Yi and Mr. Cheung Man Yau, Timothy respectively thereon. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. However, the post of CEO has been vacant since the retirement of Mr. Cheung Man Yau, Timothy as the CEO and Executive Director with effect from 4 June 2012. The Board will keep reviewing the current structure of the Board from time to time and if candidate with suitable skill and experience is identified within or outside the Group, the Company will make necessary appointment to fill the post as appropriate and will make further announcement in due course. Save as disclosed in the section of "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company or any of its respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

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. On 29 March 2012, the Board adopted a set of the revised terms of reference of the Audit Committee, which has included changes in line with the Revised CG Code requirements effective from 1 April 2012. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. During the year ended 31 December 2012, the Audit Committee has performed its duties, reviewed the effectiveness of the internal control system of the Company and reviewed the re-appointment of the external auditor. The unaudited quarterly and interim together with the audited annual results of the Company in respect of the year ended 31 December 2012 have also been reviewed by the Audit Committee.

As at 31 December 2012, the Audit Committee comprised three Independent Non-executive Directors, namely, Mr. Li Kwok Chu, Mr. Chiu Koon Shou and Mr. Lau Shu Yan. Mr. Lau Shu Yan is the chairman of the Audit Committee and applies his professional qualifications in accounting and financial expertise in directing the Audit Committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

By order of the Board
TLT Lottotainment Group Limited
Yip Man Yi
Chairman and Executive Director

Hong Kong, 25 March 2013

As of the date of this announcement, the executive directors of the Company are Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; non-executive director of the Company is Mr. Lau Kin Hon; and the independent non-executive directors of the Company are Mr. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu.

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