



## **TLT LOTTOTAINMENT GROUP LIMITED**

**彩娛集團有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8022)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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.**

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*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 herein or this announcement misleading.*

## HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$12,888,000 (continuing operation: approximately HK\$12,888,000 and discontinued operation: approximately HK\$Nil) for the six months ended 30 June 2012 (2011: approximately HK\$12,426,000, continuing operation: approximately HK\$12,274,000 and discontinued operation: approximately HK\$152,000), representing an increase of approximately 4% as compared to corresponding period in 2011.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$37,501,000 for the six months ended 30 June 2012 (2011: approximately HK\$4,167,000).
- Basic loss per share for continuing and discontinued operations for the six months ended 30 June 2012 was approximately HK11.10 cents (2011: approximately HK0.36 cents) and loss per share for continuing operation was approximately HK11.10 cents (2011: approximately HK0.31 cents).
- The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

## INTERIM RESULTS (UNAUDITED)

For the six months ended 30 June 2012

The board (the "Board") of directors (the "Directors") of TLT Lottotainment Group Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2012 together with the unaudited comparative figures for the corresponding periods in 2011 (the "Relevant Periods") as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>TURNOVER</b>	2				
Continuing operations		<b>12,888</b>	12,274	<b>5,342</b>	5,145
Discontinued operations		–	152	–	–
		<b>12,888</b>	12,426	<b>5,342</b>	5,145
<b>COST OF SERVICES</b>	5	<b>(12,057)</b>	(11,404)	<b>(4,972)</b>	(4,710)
<b>GROSS PROFIT</b>		<b>831</b>	1,022	<b>370</b>	435
<b>OTHER INCOME AND GAIN</b>	2	<b>238</b>	24,698	<b>194</b>	16,753
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		<b>(23,781)</b>	(20,518)	<b>(13,086)</b>	(11,313)
<b>FINANCE COSTS</b>	4	<b>(16,785)</b>	(13,322)	<b>(11,655)</b>	(6,906)
<b>SHARE OF LOSSES OF ASSOCIATES</b>		<b>(1,387)</b>	–	<b>(19)</b>	–
<b>SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES</b>		<b>(283)</b>	–	<b>(142)</b>	–
<b>LOSS BEFORE TAXATION</b>	5	<b>(41,167)</b>	(7,064)	<b>(24,338)</b>	(1,031)
Continuing operations		<b>(41,167)</b>	(7,064)	<b>(24,338)</b>	(1,031)
Discontinued operations		–	(1,056)	–	–
<b>TAXATION</b>	6	–	6	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(41,167)</b>	(7,064)	<b>(24,338)</b>	(1,031)
Continuing operations		<b>(41,167)</b>	(7,064)	<b>(24,338)</b>	(1,031)
Discontinued operations		–	(1,050)	–	–
		<b>(41,167)</b>	(8,114)	<b>(24,338)</b>	(1,031)
<b>ATTRIBUTABLE TO: EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>(37,501)</b>	(4,167)	<b>(22,279)</b>	781
<b>NON-CONTROLLING INTERESTS</b>		<b>(3,666)</b>	(3,947)	<b>(2,059)</b>	(1,812)
<b>LOSS FOR THE PERIOD</b>		<b>(41,167)</b>	(8,114)	<b>(24,338)</b>	(1,031)
<b>(LOSS)/EARNING PER SHARE</b>	8				
For continuing and discontinued operations					
– BASIC		<b>(11.10 cents)</b>	(0.36 cents)	<b>(6.40 cents)</b>	0.06 cents
– DILUTED		<b>(11.10 cents)</b>	(0.36 cents)	<b>(6.40 cents)</b>	0.06 cents
For continuing operations					
– BASIC		<b>(11.10 cents)</b>	(0.31 cents)	<b>(6.40 cents)</b>	0.06 cents
– DILUTED		<b>(11.10 cents)</b>	(0.31 cents)	<b>(6.40 cents)</b>	0.06 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited		Unaudited	
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(41,167)</b>	(8,114)	<b>(24,338)</b>	(1,031)
<b>OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD, NET OF TAX</b>				
EXCHANGED DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	<b>15</b>	(172)	<b>23</b>	30
DISPOSAL OF DISCONTINUED OPERATIONS	<u>–</u>	<u>17,372</u>	<u>–</u>	<u>17,372</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>15</b></u>	<u>17,200</u>	<u><b>23</b></u>	<u>17,402</u>
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD</b>	<u><b>(41,152)</b></u>	<u>9,086</u>	<u><b>(24,315)</b></u>	<u>16,371</u>
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	<b>(37,486)</b>	490	<b>(22,256)</b>	5,539
NON-CONTROLLING INTERESTS	<u><b>(3,666)</b></u>	<u>8,596</u>	<u><b>(2,059)</b></u>	<u>10,832</u>
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD</b>	<u><b>(41,152)</b></u>	<u>9,086</u>	<u><b>(24,315)</b></u>	<u>16,371</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		10,154	8,265
Intangible assets	9	43,255	49,458
Goodwill	10	34,438	14,329
Derivative financial instruments		85,997	85,997
Investment deposits		–	5,000
Interests in associates		15,167	14,501
Interests in jointly controlled entities		126	409
		<u>189,137</u>	<u>177,959</u>
<b>Current assets</b>			
Trade and other receivables	11	17,566	13,536
Equity investments at fair value through profit or loss	12	1,946	–
Restricted bank deposits		1,718	1,728
Cash and cash equivalents		4,379	37,101
		<u>25,609</u>	<u>52,365</u>
<b>Current liabilities</b>			
Trade and other payables	13	62,315	52,163
Finance lease payables	14	402	309
Convertible bonds	15(a)	–	50,000
Interest-bearing loans	16	150,000	–
Provision for onerous contracts		–	1,052
		<u>212,717</u>	<u>(103,524)</u>
<b>Net current liabilities</b>		<u>(187,108)</u>	<u>(51,159)</u>
<b>Total assets less current liabilities</b>		<u>2,029</u>	<u>126,800</u>
<b>Non-current liabilities</b>			
Finance lease payables	14	736	906
Convertible bonds	15(b)	26,165	24,505
Derivate financial instruments		211	211
Promissory notes	17	–	91,895
		<u>(27,112)</u>	<u>(117,517)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(25,083)</u>	<u>9,283</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	19,694	16,412
Reserves		(40,918)	(7,473)
<b>NON-CONTROLLING INTERESTS</b>		<u>(3,859)</u>	<u>344</u>
<b>TOTAL EQUITY</b>		<u>(25,083)</u>	<u>9,283</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attribution to equity shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Convertible bond reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2011	7,964	376,330	(3,915)	53	-	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)
Total comprehensive income/(expenses) for the period	-	-	4,657	-	-	-	-	(4,167)	490	8,596	9,086
Issue of placing shares	3,230	88,765	-	-	-	-	-	-	91,995	-	91,995
Issuance of convertible bonds	-	-	-	-	12,626	-	-	-	12,626	-	12,626
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	6,088	6,088
Share issued upon conversion of convertible bonds	1,140	30,844	-	-	(6,717)	-	-	-	25,267	-	25,267
Share issued for acquisition of subsidiaries	3,218	64,535	-	-	-	-	-	-	67,753	-	67,753
At 30 June 2011	15,552	560,474	742	53	5,909	4,166	44	(533,313)	53,627	(6,363)	47,264
Total comprehensive expenses for the period	-	-	(171)	-	-	-	-	(64,711)	(64,882)	(51,544)	(116,426)
Issue of placing shares	860	14,189	-	-	-	-	-	-	15,049	-	15,049
Issuance of convertible bonds	-	-	-	-	12,464	-	-	-	12,464	-	12,464
Shares issued upon conversion of convertible bonds	-	-	-	-	(6,631)	-	-	-	(6,631)	-	(6,631)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	44,921	44,921
Changes in the ownership interests in subsidiaries that do not result in a loss of control	-	-	(18)	-	-	-	(670)	-	(688)	683	(5)
Disposal of discontinued operations	-	-	-	-	-	-	-	-	-	12,647	12,647
Share options lapsed	-	-	-	-	-	(1,102)	-	1,102	-	-	-
At 31 December 2011	16,412	574,663	553	53	11,742	3,064	(626)	(596,922)	8,939	344	9,283
Total comprehensive income/(expenses) for the period	-	-	15	-	-	-	-	(37,501)	(37,486)	(3,666)	(41,152)
Issue of placing shares	3,282	4,044	-	-	-	-	-	-	7,326	-	7,326
Share options lapsed	-	-	-	-	-	(1,071)	-	1,071	-	-	-
Deemed contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	(376)	(376)
Acquisition of subsidiary	-	-	-	-	-	-	-	(3)	(3)	(161)	(164)
At 30 June 2012	19,694	578,707	568	53	11,742	1,993	(626)	(633,355)	(21,224)	(3,859)	(25,083)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash outflow from operating activities	<b>(15,005)</b>	(72,822)
Net cash (outflow)/inflow from investing activities	<b>(22,455)</b>	2,080
Net cash inflow from financing activities	<b>4,723</b>	70,049
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(32,737)</b>	(693)
Cash and cash equivalents at the beginning of period	<b>37,101</b>	4,049
Effect of foreign exchange rate changes	<b>15</b>	(172)
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	<b>4,379</b>	3,184
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	<b>4,379</b>	3,184
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Notes:

**1. Basis of preparation and principal accounting policies**

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 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 ("GEM") of The Stock Exchange (the "GEM Listing Rules").

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2011.

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

All significant intra-group transactions and balances within the Group have been eliminated on consolidation.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

As at 30 June 2012, the Group had in net liabilities position. The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group and the Company:

- (i) The Group and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company;
- (ii) The Group and the Company would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flows in 2012; and
- (iii) The Company's substantial shareholder has undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future difficulties to be experienced by the Group.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of other measures, the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.



Should the Group and the Company 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 any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

## 2. Turnover, other income and gain

The Group is engaged in the provision of travel agent services, artist management services, advertising and marketing services, operation of stage drama and trading of securities. 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 as set out in note 7. Revenue recognized during the Relevant Period is as follows:

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover				
Continuing operations				
Revenue from travel agent services	<b>7,821</b>	11,617	<b>3,746</b>	4,768
Artist management income	<b>210</b>	657	<b>161</b>	377
Revenue from stage drama	<b>397</b>	–	–	–
Advertising and marketing services income	<b>4,411</b>	–	<b>1,386</b>	–
Profit on trading of equity investments at fair value through profit or loss	<b>49</b>	–	<b>49</b>	–
Discontinued operations				
Mobile recharging services income	–	152	–	–
Sub-total	<b>12,888</b>	12,426	<b>5,342</b>	5,145
Other income and gain				
Gain on disposal of subsidiaries	–	16,671	–	16,671
Gain on restructuring of promissory notes	–	7,821	–	–
Sundries	<b>196</b>	206	<b>194</b>	82
Interest income	<b>42</b>	–	–	–
Sub-total	<b>238</b>	24,698	<b>194</b>	16,753
Total	<b>13,126</b>	37,124	<b>5,536</b>	21,898

### 3. Segmental information

The Group's operating activities are carried out in the People's Republic of China (the "PRC") and Hong Kong.

An analysis of the Group's revenues and results for the period by business segments is as follows:

(i) For the six months ended 30 June 2012 (Unaudited)

	Continuing operations					Discontinued operations	Total
	Travel agent services (the PRC) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Securities (Hong Kong) HK\$'000	Mobile lottery on-line recharging services (the PRC) HK\$'000	
Turnover	7,821	210	397	4,411	49	-	12,888
Segment results	(236)	(138)	(1,082)	148	(11)	-	(1,319)
Unallocated items:							
Other income and gain							238
Operating and administrative expenses							(21,631)
Finance costs							(16,785)
Share of losses of associates							(1,387)
Share of losses of jointly controlled entities							(283)
Loss before taxation							(41,167)
Taxation							-
Loss for the period							(41,167)
Attributable to:							
Equity shareholders of the Company							(37,501)
Non-controlling interests							(3,666)
Loss for the period							(41,167)

### 3. Segmental information (Continued)

(ii) For the six months ended 30 June 2011 (Unaudited)

	Continuing operations					Discontinued operations	Total
	Travel agent services (the PRC) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Securities (Hong Kong) HK\$'000	Mobile lottery on-line recharging services (the PRC) HK\$'000	
Turnover	11,617	657	-	-	-	152	12,426
Segment results	(500)	(5,906)	-	-	-	(987)	(7,393)
Unallocated items:							
Other income and gain							24,698
Operating and administrative expenses							(12,103)
Finance costs							(13,322)
Share of losses of associates							-
Share of losses of jointly controlled entities							-
Loss before taxation							(8,120)
Taxation							6
Loss for the period							<u>(8,114)</u>
Attributable to:							
Equity shareholders of the Company							(4,167)
Non-controlling interests							<u>(3,947)</u>
Loss for the period							<u>(8,114)</u>

#### 4. Finance costs

	Unaudited		Unaudited	
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	6,136	843	5,319	843
Interest on promissory notes	8,105	12,451	4,808	6,044
Interest on bank advances and other borrowings wholly repayable within five years	1,500	–	1,500	–
Interest on finance leases	40	17	18	17
Others	1,004	11	10	2
	<u>16,785</u>	<u>13,322</u>	<u>11,655</u>	<u>6,906</u>

#### 5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited		Unaudited	
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of services	12,057	11,404	4,972	4,710
Amortisation of intangible assets	6,193	65	3,096	17
Depreciation	941	565	777	90
Fair value loss on equity investments through profit or loss	38	–	38	–
Operating lease charges in respect of property rentals	1,897	2,410	915	1,267
Staff costs including directors' emoluments	6,137	7,052	2,712	3,194
	<u>33,263</u>	<u>23,496</u>	<u>12,404</u>	<u>9,278</u>

#### 6. Taxation

Taxation represents:

	Unaudited		Unaudited	
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax	–	(6)	–	–
	<u>–</u>	<u>(6)</u>	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong during the Relevant Periods. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the Relevant Periods .

**7. Discontinued operations**

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 disposal constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

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.

**8. (Loss)/earning per share**

The calculation of the basic loss/earning per share is based on loss/profit attributable to ordinary equity shareholders of the Company for the six months and three months ended 30 June 2012 of HK\$37,501,000 and HK\$22,279,000 respectively (2011: loss of HK\$4,167,000 and profit of HK\$781,000 respectively) and the weighted average of 337,253,000 and 346,270,000 (2011: 1,145,398,000 and 1,358,054,000) ordinary shares respectively in issue during the period.

The diluted loss/earning per share for the period is equal to the basic loss/earning per share as the outstanding convertible bonds and share options were anti-dilutive.

**9. Intangible assets**

As at 30 June 2012, the total amount of intangible assets was HK\$43,255,000 which was comprised of artistic-related right of HK\$43,027,000 and the travel agency licenses of HK\$228,000.

Artistic-related right represents stage drama developed by the Company’s subsidiary, Creative Works Limited (“Creative Works”), under a non-exclusive license for adoption 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. 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.

The travel agency licenses represent the right to operate travel agency business within and outside the PRC.

**10. Acquisition of a subsidiary**

On 28 February 2012, the acquisition of 100% issued share capital of Creative Star Limited was completed. The amount of the goodwill arising as a result of the acquisition was approximately HK\$20,109,000. Details of the transactions were disclosed in the Company’s announcement dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

## 11. Trade and other receivables

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Trade debtors	<b>378</b>	306
Amount due from a non-controlling interest holder	<b>32</b>	32
Amount due from affiliated companies of a non-controlling interest holder	<b>17</b>	17
Other receivables	<b>1,854</b>	2,928
Advance to a consultancy company	<b>3,100</b>	4,000
Investment deposit refundable	<b>1,000</b>	1,000
Rental and other deposits	<b>8,132</b>	2,958
	<hr/>	<hr/>
Loans and receivables	<b>14,513</b>	11,241
Prepayments	<b>3,053</b>	2,295
	<hr/>	<hr/>
	<b>17,566</b>	13,536
	<hr/> <hr/>	<hr/> <hr/>

### *Ageing analysis*

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

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Within 1 month	<b>115</b>	136
More than 1 month but within 3 months	<b>10</b>	20
More than 3 months but within 6 months	<b>7</b>	30
More than 6 months	<b>246</b>	120
	<hr/>	<hr/>
	<b>378</b>	306
	<hr/> <hr/>	<hr/> <hr/>

## 12. Equity investments at fair value through profit or loss

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Listed equity investments, at market value:		
Hong Kong	<b>1,946</b>	–
	<hr/> <hr/>	<hr/> <hr/>

### 13. Trade and other payables

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Trade creditors ( <i>note a</i> )	<b>1,066</b>	117
Other payables and accrued charges	<b>34,117</b>	28,169
Short-term loans	–	5,384
Amounts due to directors	–	99
Amounts due to related persons	<b>19,934</b>	15,450
Other taxes and government surcharges payables	<b>4</b>	19
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	<b>55,121</b>	49,238
Receipts in advance ( <i>note b</i> )	<b>7,194</b>	2,925
	<hr/>	<hr/>
	<b>62,315</b>	52,163
	<hr/> <hr/>	<hr/> <hr/>

(a) *Ageing analysis*

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

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Within 1 month	<b>370</b>	117
More than 1 month but within 3 months	<b>267</b>	–
More than 3 months but within 6 months	<b>216</b>	–
More than 6 months	<b>213</b>	–
	<hr/>	<hr/>
	<b>1,066</b>	117
	<hr/> <hr/>	<hr/> <hr/>

(b) 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.

#### 14. Finance lease payables

The Group leases certain of its motor vehicles and equipment for its business. These leases are classified as finance leases and have remaining lease terms for four years.

At 30 June 2012, the total future minimum lease payments under finance leases and their present values were as follows:

	<b>Minimum lease payments As at 30 June 2012 HK\$'000 (Unaudited)</b>	Minimum lease payments As at 31 December 2011 HK\$'000 (Audited)	<b>Present value of minimum lease payments As at 30 June 2012 HK\$'000 (Unaudited)</b>	Present value of minimum lease payments As at 31 December 2011 HK\$'000 (Audited)
Amounts payable:				
Within one year	<b>467</b>	374	<b>402</b>	309
In the second year	<b>386</b>	385	<b>352</b>	340
In the third to fifth years, inclusive	<b>398</b>	594	<b>384</b>	566
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	<b>1,251</b>	1,353	<b>1,138</b>	1,215
Future finance charges	<b>(113)</b>	(138)	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Total net finance lease payables	<b>1,138</b>	1,215	<hr/>	<hr/>
Portion classified as current liabilities	<b>(402)</b>	(309)	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current portion	<b>736</b>	906	<hr/>	<hr/>

#### 15. 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 "CBI") 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 CBI (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 CBI. The CBI bear interest rate of 18% per annum. Pursuant to the terms of the CBI, 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, the Company on 25 May 2012 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 19.



(b) Convertible bonds that contain an equity component

On 28 March 2011, an aggregate principal amount of HK\$60,000,000 of the convertible bonds (the "CBII") 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.

The convertible bonds contain two components, the liability and the equity components. The equity component is presented in equity as a "convertible bond reserve". The effective interest rate of the liability component is approximately 14.14%.

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

	<b>HK\$'000</b> <b>(Unaudited)</b>
Liability component at date of issue	<b>47,374</b>
Interest charge	<b>2,398</b>
Conversion of convertible notes during the period	<b>(25,267)</b>
	<hr/>
Carrying amount at 31 December 2011	<b>24,505</b>
Interest charge	<b>1,660</b>
	<hr/>
Carrying amount at 30 June 2012	<b>26,165</b>
	<hr/> <hr/>

**16. Interest-bearing loans**

	As at 30 June 2012 (Unaudited)			As at 31 December 2011 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current:						
Loan from non-financial institutions – secured ( <i>note a</i> )	<b>18</b>	<b>2013</b>	<b>100,000</b>	N/A	N/A	–
Early repayment on Convertible bonds ( <i>note b</i> )	<b>18</b>	<b>2012</b>	<b>50,000</b>	N/A	N/A	–
			<hr/> <b>150,000</b> <hr/>			<hr/> <b>–</b> <hr/>

(a) On 30 May 2012, a secured and unguaranteed loan facility amounting to HK\$165,000,000 has been granted to the Group ("Loan Facility"). The security was a debenture of the Company dated 20 June 2012 under which all the undertaking property, assets, goodwill, rights and revenues of the Company are charged to the lender by way of first floating charge. On 11 June 2012, HK\$100,000,000 has been drawn down by the Group. The agreed interest rate is 1.5% per month.

(b) Details in note 15(a) above.

## 17. Promissory notes

	<b>As at 30 June 2012 HK'000 (Unaudited)</b>	As at 31 December 2011 HK'000 (Audited)
At 1 January	<b>91,895</b>	155,048
Interest charge	<b>8,105</b>	15,761
Settlement made by issuance of convertible bonds	–	(54,461)
Settlement of promissory notes	<b>(100,000)</b>	(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)
	<hr/>	<hr/>
At the end of period	<u>–</u>	<u>91,895</u>

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 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 was formerly 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 note in an aggregate principal amount of HK\$60,000,000 to the PN Holder; 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 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 note (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 note 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.

## 18. Share capital

	As at 30 June 2012		As at 31 December 2011	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares at HK\$0.05 each	<u>2,000,000</u>	<u>100,000</u>	<u>2,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>				
At 1 January	328,235	16,412	796,424	7,964
Issue of placing shares	65,647	3,282	409,000	4,090
Shares issued for acquisition of subsidiaries	–	–	321,753	3,218
Shares issued upon conversion of convertible notes	–	–	114,000	1,140
Share consolidation	–	–	(1,312,942)	–
	<u>393,882</u>	<u>19,694</u>	<u>328,235</u>	<u>16,412</u>
At the end of period	<u>393,882</u>	<u>19,694</u>	<u>328,235</u>	<u>16,412</u>

## 19. Litigation

Reference is made to the announcements of the Company dated 27 May 2012, 6 June 2012, 14 June 2012 and 3 August 2012 (“the Announcements”) in relation to the HK\$50 million Convertible Bonds issued by the Company on 28 October 2011 to Sun Finance.

On 17 May 2012, Sun Finance served a statutory demand on the Company pursuant to s.177 & 178 of the Companies Ordinance demanding for a sum of HK\$54,975,000 (“the Statutory Demand”).

On 6 June 2012, the Company obtained from the Court of First Instance of the High Court in the proceedings of HCMP 1121/2012 an Ex Parte injunction order (“the Injunction Order”) that, amongst other things, Sun Finance be restrained, whether by itself or by its officers, servants or agents, or otherwise howsoever, from presenting and/or issuing winding-up petition against the Company upon or in respect of the Statutory Demand, whether for or on the basis of the non-satisfaction or otherwise of the said demand, until after the hearing of the Inter-Partes Summons on 15 June 2012 at 9:30 a.m. before a Summons Judge or until further order meanwhile.

On 3 August 2012, the Company reached a full and final settlement with Sun Finance in respect of the Court Application and all of the claims by Sun Finance against the Company arising from the Bonds, the Instrument and the Statutory Demand by virtue of a Settlement Agreement dated 3 August 2012 (“the Settlement Agreement”). The parties also signed and submitted to the Court a Consent Order on 6 August 2012 in respect of the proceedings of HCMP 1121/2012 (“the Consent Order”). Pursuant to the Settlement Agreement and the Consent Order, (i) the Company paid a sum of HK\$56,885,245.90 to Sun Finance in full settlement of the principal amount of HK\$50 million of the Bonds and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance arising from the Bonds, the Instrument and the Statutory Demand shall be discharged; and (ii) the Court Application shall be stayed.

## 20. Operating lease commitments

As at 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Within 1 year	<b>3,703</b>	3,703
Within 5 years and after 1 year	<b>10,155</b>	12,006
After 5 years	<b>6,367</b>	6,367
	<b><u>20,225</u></b>	<u>22,076</u>

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 extension options. None of the leases includes contingent rentals.

## 21. Interim dividend

The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the six months ended 30 June 2012 (2011: Nil).

## 22. Event after reporting date

On 3 August 2012, the Company reached a Settlement Agreement with Sun Finance and made a further drawdown under the Loan Facility in an amount of HK\$65 million and paid a sum of HK\$56,885,245.90 of which to Sun Finance in full settlement of the principal amount of HK\$50 million and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance were discharged.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### *Turnover*

The unaudited consolidated turnover of the Group for the six months ended 30 June 2012 was approximately HK\$12,888,000 (2011: approximately HK\$12,426,000) representing an increase of 4% over the corresponding period in 2011.

#### *Gross profit*

The gross profit for the six months ended 30 June 2012 was approximately HK\$831,000 (2011: approximately HK\$1,022,000).

#### *Loss attributable to equity shareholders*

The loss attributable to equity shareholders of the Company was approximately HK\$37,501,000 for the six months ended 30 June 2012 (2011: approximately HK\$4,167,000).

#### *Basic loss per share*

For the six months ended 30 June 2012, basic loss per share was approximately HK11.10 cents (2011: approximately HK0.36 cents).

#### *Balance Sheet*

As at 30 June 2012, the net liabilities of the Group amounted to approximately HK\$25,083,000 (31 December 2011: net assets approximately HK\$9,283,000). Current assets amounted to approximately HK\$25,609,000 (31 December 2011: approximately HK\$52,365,000), of which approximately HK\$6,097,000 (31 December 2011: approximately HK\$38,829,000) were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$27,112,000 (31 December 2011: approximately HK\$117,517,000) and its current liabilities amounted to approximately HK\$212,717,000 (31 December 2011: approximately HK\$103,524,000), of which trade payables and other payables amounted to approximately HK\$62,315,000 (31 December 2011: approximately HK\$52,163,000).

#### *Net cash outflow from operating activities*

The Group recorded a net cash outflow from operating activities of approximately HK\$15,005,000 during the six months ended 30 June 2012 compared with a net cash outflow from operating activities of approximately HK\$72,822,000 during the corresponding period in 2011. The decrease of the net cash outflow from operating activities was mainly due to the deposits of HK\$46,000,000 which was paid to Mr. Gao Feng ("Mr. Gao") for the acquisition of 25% issued capital of Galaxy Mount International Limited (the "Acquisition") during the period ended 30 June 2011 but the Acquisition was terminated on 5 August 2011. The negotiation between the Company and Mr. Gao to resolve on the full refund of the outstanding deposit is still undergoing.

### *Liquidity and financial resources*

The Group had cash and bank balance of approximately HK\$4,379,000 as at 30 June 2012.

The management of the Company will continue to make great effort to improve the liquidity condition including tightening cost control, expanding current businesses, securing additional banking facilities or raising funds from the capital market. The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (31 December 2011: Nil).

### *Foreign currency risk*

Since most of the transactions, income and expenditure, bank loan and other borrowings of the Group are denominated in Hong Kong dollars and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented during the six months ended 30 June 2012 as the Board considers that the potential foreign exchange exposure of the Group is limited.

### *Contingent liabilities*

As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: Nil).

### *Secured loan facility*

On 30 May 2012, a secured and unguaranteed loan facility amounting to HK\$165,000,000 has been granted to the Group. The security was a debenture of the Company dated 20 June 2012 under which all the undertaking property, assets, goodwill, rights and revenues of the Company are charged to the lender by way of first floating charge. On 11 June 2012, HK\$100,000,000 has been drawn down by the Group. The agreed interest rate is 1.5% per month.

### *Capital structure*

During the period, there were a total of 65,647,000 shares were issued under placing agreements.

## **Employees and Remuneration Policy**

The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2012 amounted to approximately HK\$6,137,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

## **Operational Review and Prospect**

The travel industry is still very competitive in the People's Republic of China (the "PRC"). 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 the PRC citizens, it is optimistic in the business growth of our travel agency operation.

The Group started trading in securities from mid-June 2012. The securities investments principally comprise securities from companies listed on the Stock Exchange. The securities investments will be held for short term trading purpose. It is intended that the securities investments will provide the Group with a reasonable dividend yield as well as capital appreciation.

The Company's securities portfolio as at 30 June 2012 was as follows:

<b>Name of stock (Stock code)</b>	<b>Share holdings</b>	<b>Invested amount</b> <i>HK\$</i>	<b>Market value</b> <i>HK\$</i>
Inno-Tech Hold (8202)	900,000	391,500	436,500
CNC Holdings (8356)	760,000	568,400	684,000
RCG Holdings (802)	640,000	640,000	435,200
Carnival Group (996)	1,300,000	383,500	390,000
Total		<u>1,983,400</u>	<u>1,945,700</u>

On 16 February 2011, the Group acquired 51% of the issued share capital of Dragon Gain Worldwide Limited ("Dragon Gain"), a company which through its wholly owned subsidiary holds a non-exclusive licence to adapt Mr. Louis Cha Leung Yung's novel "Born to be hero 天龍八部" for stage drama performance worldwide (except Japan). On 15 December 2011, the stage drama is officially launched in Beijing. The launch performance in Beijing ran from 15 December 2011 to 8 January 2012. The performance of the stage drama in Beijing was unsatisfactory as the operation cost unexpectedly increased by the launch of the drama and the failure to secure sponsorship for the stage drama. The Group is committed to strengthen the cost control policy in this operation. Besides, the Group is planning to stage the drama in other Asian regions and intends to invite the sponsorship for the shows.

According to the acquisition agreement, the Company may exercise its option to put back the 51% share capital of Dragon Gain to its original vendor at the original acquisition price plus a pre-agreed premium. Although the performance of the stage drama is disappointed and the profit guarantee provided by the vendor of the relevant acquisition may not be met, however, given the special nature of entertainment business it will be difficult to assess whether such profits guarantee can ultimately be achieved or not and at present the Company intends to wait further to see if there is any turn around on the performance of the stage drama to decide whether to exercise the put option to put the investment project of the stage drama back to its original vendor. The Company will closely monitor the performance and development of the stage drama project.

For the talent academy in Macau, its capital investment has already been completed and the official school license of the Macau talent academy is in the final stage of approval by the Education and Youth Affairs Bureau in Macau (“EYAB”) and the Group is optimistic with it, the Group has worked closely with EYAB in rescheduling the commencement of the operations of the Macau talent academy and it is expected that enrollments of the training courses will commence in the fourth quarter of 2012. However, due to the delay in the granting of the official school license to the Macau talent academy, it has delayed the scheduled commencement of business of the talent academy and has adversely affected its performance and as such it has failed to provide any profits to the Group and according to the acquisition agreement for 51% issued capital of Fountain City Holdings Limited (“Fountain City”), the Company may exercise its option to put back the 51% share capital of Fountain City to its original vendor at the original acquisition price plus a pre-agreed premium. The Company is considering and assessing on exercising the options to put back the 51% share capital of Fountain City to its original vendor if it is in the best interest of the Shareholders.

On 28 February 2012, the Group acquired the entire issued capital of Creative Star Limited (“Creative Star”) which holds 60% of the share of Hong Kong Marketing Service Limited (“Hong Kong Marketing”). Hong Kong Marketing is engaged in product advertising and promotion, marketing agency and planning, function organization and media project services. With the strong client base and the media network Hong Kong Marketing possessed as well as the management’s experience in advertising and promotion industry, the Company considers that the acquisition can provide a synergy effect to the Group’s existing businesses which includes provision of cross-selling, marketing platform and resources for brand building. Given the stable source of revenue from Hong Kong Marketing, the Directors expect that the acquisition will not only increase the income stream and bring additional stable earnings to the Group but also increase the return on equity which in long run can bring benefit to the Group and its shareholders. The Directors expect to take measures to rationalize its existing business, including improving the operation efficiency and effectiveness of the businesses and undergoing business segment integration.

The Group is also trying to diversify its businesses into the business of money lending and has applied for a money lender license. It is expected that the license maybe issued to the Group by the end of August 2012. The Directors consider it will be beneficial to the Company to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders.

In general, the Group is working diligently in building a good foundation and engineering the company of the Group to add value to each other in the cultural, media and entertainment business and at the same time to explore opportunities to expand the Group’s business operations.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Directors	Capacity/nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Approximate of aggregate percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy (retired on 4 June 2012)	Beneficial Owner	–	1,300,000 (Note)	0.33%
Mr. Sung Wai Tak, Herman (resigned on 20 April 2012)	Beneficial Owner	–	100,000 (Note)	0.03%
Mr. Fung Wai Shing (resigned on 11 July 2012)	Beneficial Owner	–	100,000 (Note)	0.03%

*Note:*

The share options of the Company have been granted to these former Directors and employees on 29 June 2009 and/or 4 June 2010 and outstanding as at 30 June 2012.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

## SHARE OPTION SCHEMES

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the "Old Scheme") under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares of the Company. The Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options have been granted under the New Scheme since its adoption.

Details of the movements in the share options granted to various Directors and employees of the Group during the six months ended 30 June 2012 under the Old Scheme are as follows:

Name or category	Date of grant	Vesting period	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2012
<b>Directors</b>										
Mr. Cheung Man Yau, Timothy (retired on 4 June 2012)	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$1.7*	1,300,000*	-	-	-	-	1,300,000*
Mr. Chan Kin Yip (resigned on 10 March 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$3.07*	600,000*	-	-	(600,000)*	-	-
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$1.7*	400,000*	-	-	(400,000)*	-	-
Mr. Sung Wai Tak, Herman (resigned on 20 April 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	-	-	-	-	100,000*
Mr. Wong Lit Chor, Alexis (resigned on 16 March 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	-	-	(100,000)*	-	-
Mr. Fung Wai Shing (resigned on 11 July 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	-	-	-	-	100,000*
<b>Other Employees</b>										
	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$3.07*	300,000*	-	-	-	-	300,000*
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$1.7*	1,700,000*	-	-	-	-	1,700,000*
<b>In aggregate</b>					<u>4,600,000*</u>	<u>-</u>	<u>-</u>	<u>(1,100,000)*</u>	<u>-</u>	<u>3,500,000*</u>

\* The Company has made adjustment to the outstanding share options in accordance with the share consolidation approved by the shareholders of the Company on 18 October 2011. The details have been published on the Company's announcement dated 20 October 2011.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Schemes" and "Directors' and chief executives' interests and short position in the shares, underlying shares and debentures" above, at no time during the six months ended 30 June 2012 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Model Code"). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings as set out in the Model Code throughout the period under review. The Company was not aware of any non-compliance during the six months ended 30 June 2012.

## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 2012, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name of shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares/ underlying shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	50,351,800	12.78%
Mr. Sun Xiaoxiang (Notes 1 and 2)	Interest of Corporation Controlled	20,816,342	5.29%
Premier Capital Enterprises Limited (Notes 1 and 2)	Beneficial Owner	20,816,342	5.29%

Notes:

1. The 20,816,342 shares consist of convertible notes which can be converted into 20,057,142 shares of the Company, which has been adjusted in accordance with the share consolidation approved by the shareholders on 18 October 2011.
2. Premier Capital Enterprises Limited is a company wholly and beneficially owned by Mr. Sun Xiaoxiang and Mr. Sun Xiaoxiang is therefore deemed to be interested in 20,816,342 shares, which has been adjusted in accordance with the share consolidation approved by the shareholders on 18 October 2011, held by Premier Capital Enterprises Limited pursuant to Part XV of the SFO.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 30 June 2012, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **CONVERTIBLE NOTES**

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 per conversion share with the maturity date falling on the second anniversary of the date of the issue of the convertible notes. As at 30 June 2012, an aggregate principal amount of HK\$28,080,000 convertible notes was outstanding.

Details of the above convertible notes have been published on the Company's announcements dated 15 February 2011, 23 March 2011, 28 March 2011 and 20 October 2011 respectively and the Company's circular dated 7 March 2011.

On 28 October 2011, an aggregate principal amount of HK\$50,000,000 of the convertible bonds ("Bonds") was issued to Sun Finance Co., Ltd. ("Sun Finance") at the conversion price of HK\$0.30 per conversion share with the maturity date falling on the sixth month of the date of the issue of the convertible bonds or, at the discretion of the Company, extend the maturity date falling twelve months from the issue date. On 27 April 2012, the conversion price per conversion share was changed from HK\$0.30 per conversion share to HK\$0.2047 per conversion share and the maturity date of the convertible bonds was extended from 28 April 2012 to 28 October 2012.

On 24 May 2012, the Company received a letter from Sun Finance stating that the instrument dated 28 October 2011 constituting the Bonds (the "Instrument") had already been terminated. After careful consideration by the Board, the Company on 25 May 2012 accepted Sun Finance's position regarding termination of the Instrument.

On 3 August 2012, the Company reached a full and final settlement with Sun Finance in respect of the Court Application and all of the claims by Sun Finance against the Company arising from the Bonds, the Instrument and the Statutory Demand by virtue of a Settlement Agreement dated 3 August 2012 (“the Settlement Agreement”). The parties also signed and submitted to the Court a Consent Order on 6 August 2012 in respect of the proceedings of HCMP 1121/2012 (“the Consent Order”). Pursuant to the Settlement Agreement and the Consent Order, (i) the Company paid a sum of HK\$56,885,245.90 to Sun Finance in full settlement of the principal amount of HK\$50 million of the Bonds and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance arising from the Bonds, the Instrument and the Statutory Demand shall be discharged; and (ii) the Court Application shall be stayed.

Details of the above convertible bonds have been published on the Company’s circular dated 3 October 2011 and its announcements dated 8 August 2011, 23 August 2011, 29 August 2011, 8 September 2011, 16 September 2011, 28 September 2011, 30 September 2011, 18 October 2011, 20 October 2011, 28 October 2011, 7 May 2012, 27 May 2012, 6 June 2012, 14 June 2012 and 3 August 2012 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. 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. 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.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities except the issue of 65,647,113 shares at a price of HK\$0.12 per placing shares by way of placing on 5 June 2012.

## **COMPETING INTERESTS**

During the six months ended 30 June 2012, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (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.

## **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 the review and supervision of the Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Shu Yan (Chairman), Mr. Li Kwok Chu and Mr. Chiu Koon Shou.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30 June 2012.

## **CORPORATE GOVERNANCE**

The Stock Exchange has issued the amendments on Corporate Governance Code in Appendix 15 to the GEM Listing Rules effective on 1 April 2012.

To fully comply with all the new code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, relevant amendments and adoptions has been adopted by the Company on 1 April 2012.

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") to Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2012 except for the code provisions A.2.1 and A.4.1 of the CG Code, as set out below.

According to 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 six months ended 30 June 2012, the roles of the chairman and the chief executive officer were segregated and performed by Ms. Yip Man Yi and Mr. Cheung Man Yau, Timothy respectively until the retirement of Mr. Cheung Man Yau, Timothy as the chief executive officer on 4 June 2012. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate and will make further announcement in due course.

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

## **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company discloses the changes in information of the Directors as follows:

On 10 March 2012, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung have been appointed as executive Directors and Mr. Chan Kin Yip has resigned as an executive Director.

On 16 March 2012, Mr. Wong Lit Chor, Alexis has resigned as an independent non-executive Director and member of the audit and remuneration committees of the Company and Mr. Li Kwok Chu has been appointed as an independent non-executive Director and member of the audit and remuneration committees of the Company.

With effect from 19 March 2012, Mr. Au Yeung Yiu Chung, executive Director, has been appointed as the authorized representatives of the Company.

On 29 March 2012, a nomination committee of the Company (the "Nomination Committee") has been established comprising Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Li Kwok Chu as members of the Nomination Committee and Mr. Li Kwok Chu as the chairman of the Nomination Committee.

On 10 April 2012, Ms. Yip Man Yi has been appointed as chairman and executive Director.

On 20 April 2012, Mr. Sung Wai Tak, Herman has resigned as an independent non-executive Director and members of the audit, nomination and remuneration committees of the Company and Mr. Chiu Koon Shou has been appointed as an independent non-executive Director and members of the audit, nomination and remuneration committees of the Company.

Mr. Cheung Man Yau, Timothy, Mr. Lee Chi Shing, Caesar and Ms. Cheng Sze Man have retired as executive Directors at the conclusion of the annual general meeting of the Company held on 4 June 2012 and Mr. Cheung Man Yau, Timothy also ceased to act as the chief executive officer, member of the remuneration committee and compliance officer of the Company.

With effect from 5 June 2012, Ms. Yip Man Yi, executive Director and the chairman of the Company, has been appointed as the authorized representatives of the Company.

On 7 June 2012, Ms. Yip Man Yi, executive Director and the chairman of the Company, has been appointed as member of the remuneration committee of the Company and Mr. Au Yeung Yiu Chung, executive Director, has been appointed as compliance officer of the Company to fill the vacancies as a result of Mr. Cheung Man Yau, Timothy's retirement.

Subsequent to the six months ended 30 June 2012, on 11 July 2012, Mr. Fung Wai Shing has resigned as an independent non-executive Director and chairmen of the audit and remuneration committees and member of the nomination committee of the Company and Mr. Lau Shu Yan has been appointed as an independent non-executive Director and chairmen of the audit and remuneration committees and member of the nomination committee of the Company.

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

Hong Kong, 14 August 2012

*As of the date hereof, the executive Directors are Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; and the independent non-executive Directors are Mr. Li Kwok Chu, Mr. Chiu Koon Shou and Mr. Lau Shu Yan.*

*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>.*