29 June 2012

Queenco Leisure International Ltd.
(The “Group” or “QLI”),

Financial Results for the 3 months ended 31 March 2012

Queenco Leisure International Ltd., the emerging markets casino developer and operator, is pleased to report its financial results for the 3 months ended 31 March 2012.

Financial Highlights for the three months ended 31 March 2012

- Gross revenues were €21.5 million (2011: €28.1 million)
- Net Revenues were €15.3 million (2011: €19.4 million)
- EBITDA was negative €4.6 million (2011: negative €2.0 million)
- Profit for the period was €21.1 million (2011: Loss of €6.3 million)
- Cash and cash equivalents were €6.8 million as of 31 March 2012

Operating and other Information Highlights

- Greek economic crisis has been prolonged by no decision from the Government on the European bailout package:
  - The uncertainty further exacerbates trading at Loutraki and Rodos
  - A lower minimum wage and renegotiation of employees’ collective benefit agreements, may contribute to the Group's cost reduction scheme
- The Group has ended its involvement in Casino Palace following the dilution of its holdings in the Romanian asset and subsequent insolvency:
  - The dilution formed part of the Group’s decision to strategically move away from Europe, towards South East Asia where the opportunities remain more lucrative
- Group strategy to diverse revenue mix is progressing:
  - Queenco Casino in Sihanoukville, Cambodia soft launched during the period, giving us a strong platform for the future
  - Exploring online gaming in areas where the Group already operates continues to progress well
  - Developments in future South East Asia projects forms part of our long term strategy
- The Tender Offer by Y.Z. Queenco Ltd. for newly issued shares in Y.Z. Queenco Ltd. listed on TASE did not enjoy enough support from the shareholders, but the Board continues to explore other options to increase liquidity and return greater value to our shareholders
- Up until and including the Company's 2011 financial statements, CHL was proportionally consolidated in the Company's consolidated financial information, by virtue of it being controlled by a chain of companies, in which the Company has a joint interest, in accordance with IAS 31 – Interests in Joint Ventures.
  As a result of the dispute between shareholders, regarding CHL, an exceptional situation has been created, in which, the Company has the power to express its joint control in the holding companies, up to, and including in PowerBrook Spain S.L., while the Company's joint control in CHL has effectively ceased. Therefore, the Company's share in CHL can no longer to be proportionally consolidated from the moment control ceased and needs to be presented under the Equity Method as prescribed in IAS 28 – Investments in Associates. In fact, the loss of joint control in CHL, is derived from the Company's inability to express its portion in PB Spain's control over CHL, therefore, from the Company's point of view, PB Spain has lost its control over CHL.
  For convenience, the proportional consolidation of CHL was ceased on 31 March, 2012. In accordingly, the Company's consolidated statements of comprehensive income (loss) include the proportionally consolidated profit and loss of CHL for the three months ended 31 March, 2012. The Company's consolidated statements of financial position as at 31 March, 2012 include the investment in CHL under the equity method.

Haim Assayag, Executive Chairman of QLI, commented on the results:

“We have witnessed some progress in Greece, which in the long term will hopefully allow Greece to turn a corner, but uncertainty remains as to the terms of the country’s bailout conditions, which continues to create uncertainty and prevent Loutraki and Rodos from generating strong returns. The reduction in the minimum wage and renegotiation of employees' collective benefit agreements is allowing us to reduce the cost base, and to a degree we are able to lower headcount, but more needs to be done.

"Following the dilution of our holdings in Casino Palace, Romania, the casino has been liquidated, allowing us to reduce the losses we have incurred, but principally shift our strategic focus towards South East Asia and away from Europe. The opening of Queenco Casino and Hotel in Sihanoukville, Cambodia, has shown some very promising signs and we remain excited by what we can achieve in Asia in the future.

"Despite the decision to cancel the Tender Offer from Y.Z. Queenco we will continue to explore ways of increasing liquidity and generating returns for shareholders, as well as reduce the expense and complexity of operating two listed companies".

For further information please visit www.queenco.com or contact:

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Chief Executive's Review

Introduction

The Greek economic crisis has been prolonged by no firm decision from Government on the European bailout package, and this is creating yet further uncertainty in trading at Loutraki and Rodos. The Greek Government's decision to lower the National minimum wage is welcome and will alleviate some of the burden on costs throughout the Greek operations, in addition to the successful renegotiation of employees' collective benefit agreements. That said, the terms of the country's European bailout package have yet to be finalised and this is likely to prolong the situation further.

As we reported during the period, the Group ended its involvement in Casino Palace following the dilution of its holdings, and subsequently the operation has closed until further notice. The insolvency petition filed with the Czech Republic court is currently pending the dilution formed part of the Group's decision to strategically move away from Europe towards South East Asia, in order to decrease the losses we had previously incurred. The strategy to diverse revenue mix remains on course having successfully soft launched Queenco Casino in Sihanoukville, Cambodia.

It was clear that the Tender Offer in which Y.Z. Queenco Ltd. had offered to exchange all of the issued and outstanding share capital of Queenco Leisure International, not already held by Y.Z. Queenco Ltd. or its wholly –owned subsidiary Shahar Hamillennium Limited, into newly issued ordinary shares in the parent company (Y.Z. Queenco Ltd.) listed on TASE was popular with the vast majority of investors, but did not enjoy enough support to receive the Tender Offer. As a result of the non-acceptance of the Tender Offer, the Board of Y.Z. Queenco Ltd. decided to explore other options to increase the liquidity of the shares and return greater value to our shareholders. We will keep updating our shareholders of our future plans to continue to increase liquidity of our shares and return greater value to our shareholders.

Summary of financial performance

Results for the three months ended 31 March 2012

Gross revenues were €21.5 million (2011: €28.1 million), a decrease of 23.3% whilst net revenues decreased by 21.2% to €15.3 million (2011: €19.4 million). Revenues continue to be suppressed by the prolonged economic crisis in Greece where the Group generates 89% of its Gross revenue from its principal asset, Loutraki and Casino Rodos. The decrease in win per visit and number of visits is putting pressure on EBITDA which remains negative at €4.6 million (2011: negative €2.0 million). Due to the company change of method related to CHL the Company incurred a net profit during the period of €21.1 million (2011: Net Loss €6.3 million)

Cash and cash equivalents remain solid at €6.8 million allowing us to withstand the financial pressures of the Greek economy, as well as the tax restraints that have been imposed by austerity governments.

Basic profit per share was 6.2¢ (2011: Loss (1.6¢)) and profit per GDR (each GDR representing 10 ordinary shares) were 62¢ (2011: (16¢)).

Operational Review

Results by casino for the three months ended 31 March 2012 and 2011:

Casino	Gross Gaming Revenue (EUR m)		Net Revenue (EURm)		EBITDA (EURm)		Visits (000's)		Gross Win per Visit (EUR)		QLI's Economic Interest
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
Loutraki	29.4	39.8	20.8	27.6	(6.9)	0.1	203	254	135	154	38.5%
Rodos	3.9	4.8	2.7	3.4	(0.9)	(0.8)	27	30	142	158	91.6%
Belgrade	2.1	2.7	2.0	2.5	0.3	(0.02)	71	75	41	37	34.6%
Sasazu	-	-	1.1	1.1	0.1	(0.1)	12	13	42	41	100%

*Loutraki and Casino Beograd are presented under the equity method in QLI's financial statements while the results of Rodos and Sasazu are fully consolidated.

Club Hotel Casino Loutraki ("CHL")

Results for the three months ended 31 March 2012

Gross gaming revenues for the three months ended 31 March 2012 were €29.4 million (2011: €39.8 million), while net revenues were €20.8 million (2011: €27.6 million). Over the course of the quarter Casino Loutraki generated negative EBITDA of €6.9 million (2011: €0.1 million positive EBIDTA), reflecting the continued distress in the Greek economy which is putting pressure on customers' disposable income, visitor numbers and subsequently win per visit.

Until the situation in the Eurozone is resolved, the effects on our customers, as well as our business are likely to remain challenging.

Casino Beograd

Results for the three months ended 31 March 2012

Gross gaming revenues for the three months ended 31 March 2012 were €2.1 million (2011: €2.7 million), whilst net revenues were €2.0 million (2011: €2.5 million). This decrease in revenues reflects the economic deterioration which is spreading throughout Europe and affecting other gaming markets including Serbia. Cost cutting measures have been implemented at Casino Beograd to improve efficiencies and to try and counteract the impact of the Eurozone crisis.

Casino Beograd has broadly seen a similar number of visits compared to the previous period last year, 71 thousand (2011: 75 thousand), which is encouraging.

Casino Rodos

Results for the three months ended 31 March 2012

As would be expected, revenues at Casino Rodos, the only casino located on the holiday island of Rhodes, continue to be impacted by the uncertainty in the Eurozone and the pending Greek elections. Negative trading remains with gross gaming revenues at €3.9 million (2011: €4.8 million) and net revenues at €2.7 million (2011: €3.4 million) mainly due to a reduction in win per visit which is attributed to visitors' lower disposable income. EBITDA generated for the quarter was negative at €0.9 million compared to a negative EBITDA of €0.8m the previous period last year. Casino Rodos made a net loss during the period of €1.5 million (2011: loss of €1.3 million).

Similar to Loutraki, Casino Rodos experienced a reduction in win per visit which is attributed mainly to visitors' lower disposable income and we anticipate that the effects on the casino are likely to remain challenging. Visitor numbers at Casino Rodos remain stable with the Casino attracting 27 thousand visitors through its doors. Due to the seasonal nature of the gaming business in Rhodes, we expect the visitor numbers to improve as it enters the high season.

SaSaZu (Prague)

During the period, the gross revenue at SaSaZu remained flat generating €1.1m (2011: €1.1m), but the Group is pleased to report that this operation has broken even and generated EBITDA of €0.1m compared to negative EBITDA of €0.1m reflecting the successful marketing initiative the Group has implemented. Due to the success of the concept in the Czech Republic, the Group planned to export the brand to other QLI operations, however due to the current economic climate in Europe, the Group is currently considering ways to implement the expansion.

Projects

During the period the Queenco Casino in Sihanoukville has gone through a soft launch and we are encouraged by the revenue generation is the Casino is currently creating for the Group. This further confirms our strategy to move away from European gaming markets and further explore the opportunities that South East Asia has to offer.

As previously reported the Group has decided not to enter new developments in Europe but will continue to explore online gaming opportunities in the countries where it operates.

Outlook

The Greek economy remains stagnant as we await the outcome of fresh elections and a decision on the final austerity conditions in the European bailout package. Opportunities in Eastern Europe have also decreased since we first entered these markets, hence our decision to move away from European markets. We have begun to diversify our revenue mix in South East Asia with the opening of Queenco Casino in Sihanoukville and we will continue to explore opportunities there and in online gaming.

Haim Assayag
Executive Chairman, Queenco Leisure International Limited
29 June 2012

QUEENCO LEISURE INTERNATIONAL LTD
Consolidated statements of comprehensive income (loss)
(In thousands of €)

	Three months ended 31 March		Year ended 31 December
	2 0 1 2	**(*) 2 0 1 1**	**2 0 1 1**
	Unaudited	**Unaudited**	
Revenues	15,333	19,449	75,322
Operating costs			
Cost of revenues	(15,398)	(16,707)	(58,890)
Selling and marketing expenses	(3,815)	(3,790)	(15,937)
General and administrative expenses	(3,567)	(4,101)	(15,331)
Other operating expenses	(799)	(11)	(2,851)
Profit on disposal of subsidiary (Note 7)	33,580	-	-
Operating loss	25,334	(5,160)	(17,687)
Investment income	34	128	343
Finance costs	(536)	(487)	(2,096)
Foreign exchange gain (loss)	(203)	422	1,252
Loss before tax	24,629	(5,097)	(18,188)
Tax	79	321	1,024
	24,708	(4,776)	(17,164)
Discontinued operations (*)	(3,597)	(1,476)	(6,054)
Loss for the period	21,111	(6,252)	(23,218)
Other comprehensive income (loss)			
Transfer to profit and loss of translation reserve from disposal of subsidiary	11,107	-	-
Exchange differences arising on translation of foreign operations	(940)	(1,021)	(1,001)
	10,167	(1,021)	(1,001)
Total comprehensive loss for the period	31,278	(7,273)	(24,219)
Loss for the period attributable to:			
Equity holders of the parent	22,180	(5,687)	(20,403)
Minority interests	(1,069)	(565)	(2,815)
	21,111	(6,252)	(23,218)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent	32,501	(6,271)	(20,956)
Minority interests	(1,223)	(1,002)	(3,263)
	31,278	(7,273)	(24,219)
Loss per share for the period attributable to:			
Loss per share from continued operations (¢)	7.3	(1.2)	(4.3)
Loss per share from discontinued operations (¢)	(1.0)	(0.4)	(1.5)
	6.3	(1.6)	(5.8)

Consolidated statements of financial position

(In thousands of €)

	As at		
	31 March		31 December
	2012	2011	2011
	Unaudited	Unaudited	
Non-current assets			
Intangible assets	2,143	9,352	8,579
Property, plant and equipment	39,948	114,720	107,988
Investment property	-	2,173	-
Investments in associates (Note 7)	69,342	-	-
Deferred tax asset	1,011	3,586	3,280
Other long term receivables	5,952	7,050	7,369
Total non-current assets	**118,396**	**136,881**	**127,216**
Current assets			
Inventories	310	884	649
Investments	4	1,340	77
Trade and other receivables	2,570	5,728	3,906
Cash and cash equivalents	6,802	16,903	14,052
	9,686	24,855	18,684
Assets related to discontinued operations held for sale (*)	-	-	2,511
Non - current assets held for sale	3,078	3,000	3,078
	12,764	**27,855**	**24,273**
Total current assets	**131,160**	**164,736**	**151,489**
Total assets			
Current liabilities			
Accounts payable	(1,160)	(5,179)	(4,232)
Current tax liabilities	(1,813)	(4,791)	(2,599)
Other current liabilities	(8,101)	(17,173)	(18,412)
Bank overdraft and loans	(1,009)	(19,032)	(19,509)
Total current liabilities	**(12,083)**	**(46,175)**	**(44,752)**
Liabilities related to discontinued operations held for sale (*)	-	-	(2,626)
	(12,083)	(46,175)	(47,378)
Net current liabilities	**681**	**(18,320)**	**(23,105)**
Total assets less current liabilities	**119,077**	**118,561**	**104,111**
Non-current liabilities			
Long-term bank loans	(6,732)	(7,839)	(6,725)
Other long-term liabilities	(6,839)	(5,795)	(9,185)
Deferred tax	(96)	(2,013)	(1,679)
Provision for retirement benefits	(1,099)	(6,201)	(6,469)
Total non-current liabilities	**(14,766)**	**(21,848)**	**(24,058)**
Net assets	**104,311**	**96,713**	**80,053**

(*) See note 6

Consolidated statements of financial position (cont.)
(In thousands of €)

	As at		
	31 March		31 December
	2012	2011	2011
	Unaudited	Unaudited	
Shareholders' equity			
Share capital	62,530	62,530	62,530
Share premium	131,196	131,196	131,196
Translation reserve	12,799	2,447	2,478
Reserve for the waiver of options by a controlling shareholder	2,739	-	2,739
Other reserves	(14,080)	(14,080)	(14,080)
Accumulated deficit	(102,932)	(107,868)	(125,037)
Equity attributable to equity holders of the parent	92,252	74,225	59,826
Minority interest	12,059	22,488	20,227
Total Equity	**104,311**	**96,713**	**80,053**

The financial statements were approved by the board of directors and authorised for issue on 28 June, 2012. They were signed on its behalf by:

Haim Asayag	**Tal Taragan**	**Dovrat Dagan**
Executive Chairman of the Board	Chief Executive Officer	Chief Financial Officer

28 June, 2012

QUEENCO LEISURE INTERNATIONAL LTD
Consolidated statements of changes in equity
(In thousands of €)

	Share Capital	Share Premium	Translation reserve	Reserve for the waiver of options by a controlling shareholder	Other reserves	Accumulated deficit	Parent	Minority Interest	Total Equity
For the three months ended 31 March 2012 (unaudited)									
Balance as at 1 January 2012	**62,530**	**131,196**	**2,478**	**2,739**	**(14,080)**	**(125,037)**	**59,826**	**20,227**	**80,053**
Translation differences	-	-	(786)	-	-	-	(786)	(154)	(940)
Expense resulting from grant of share options	-	-	-	-	-	(75)	(75)	-	(75)
Disposal of interest in subsidiary (Note 7)	-	-	7,526	-	-	-	7,526	(6,882)	644
Disposal of interest in subsidiary (Note 6)	-	-	3,581	-	-	-	3,581	323	3,904
Profit share due to the municipality of Loutraki	-	-	-	-	-	-	-	(386)	(386)
Net loss for the period	-	-	-	-	-	22,180	22,180	(1,069)	21,111
Balance as at 31 March 2012	**62,530**	**131,196**	**12,799**	**2,739**	**(14,080)**	**(102,932)**	**92,252**	**12,059**	**104,311**
For the three months ended 31 March 2011 (unaudited)									
Balance as at 1 January 2011	**62,512**	**130,998**	**3,031**	**-**	**(14,080)**	**(101,973)**	**80,488**	**23,855**	**104,343**
Realization of share options	18	198	-	-	-	(216)	-	-	-
Translation differences	-	-	(584)	-	-	-	(584)	(437)	(1,021)
Expense resulting from grant of share options	-	-	-	-	-	8	8	-	8
Profit share due to the municipality of Loutraki	-	-	-	-	-	-	-	(365)	(365)
Net loss for the period	-	-	-	-	-	(5,687)	(5,687)	(565)	(6,252)
Balance as at 31 March 2011	62,530	131,196	2,447	-	(14,080)	(107,868)	74,225	22,488	96,713

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated statements of changes in equity (cont.)
(In thousands of €)

	Share Capital	Share Premium	Translation reserve	Reserve for the waiver of options by a controlling shareholder	Other reserves	Accumulated deficit	Parent	Minority Interest	Total Equity
Balance as at 1 January 2011	**62,512**	**130,998**	**3,031**	**-**	**(14,080)**	**(101,973)**	**80,488**	**23,855**	**104,343**
Realization of share options	18	198	-	-	-	(216)	-	-	-
Translation differences	-	-	(553)	-	-	-	(553)	(448)	(1,001)
Expense resulting from grant of share options	-	-	-	-	-	294	294	-	294
Waiver of options by a controlling shareholder	-	-	-	2,739	-	(2,739)	-	-	-
Profit share due to the Municipality of Loutraki	-	-	-	-	-	-	-	(365)	(365)
Net loss for the year	-	-	-	-	-	(20,403)	(20,403)	(2,815)	(23,218)
Balance as at 31 December 2011	**62,530**	**131,196**	**2,478**	**2,739**	**(14,080)**	**(125,037)**	**59,826**	**20,227**	**80,053**

QUEENCO LEISURE INTERNATIONAL LTD
Consolidated cash flow statements
(In thousands of €)

	Three months ended 31 March		Year ended 31 December
	2012	**2011**	**2011**
	Unaudited	**Unaudited**	
Net cash from operating activities	**(1,288)**	**(3,091)**	**(2,142)**
Investing activities			
Interest received	34	134	350
Purchases of property, plant and equipment	(346)	(980)	(3,871)
Proceeds on sale of property, plant and equipment	-	47	107
Purchase of other intangibles	-	(5)	(7)
Realisation of trading investments	73	671	1,887
Instalments for the acquisition of a subsidiary	(325)	-	(904)
Repayment of other long-term receivables	-	-	1,165
Disposal of interest in subsidiary (see note 7)	(5,729)	-	-
Disposal of interest in subsidiary (see note 6)	(586)		
Decrease in deposits	-	-	(843)
Net cash used in investing activities	**(6,879)**	**(133)**	**(2,116)**
Financing activities			
Repayments of borrowings	-	-	(500)
Receipt of long term loan	1,049	3,656	3,656
Share of profits paid to Municipality of Loutraki	(386)	(365)	(365)
Increase in bank overdrafts	**-**	1,000	977
Net cash provided by (used in) financing activities	**663**	**4,291**	**3,768**
Net increase (decrease) in cash and cash equivalents	(7,504)	1,067	(490)
Effect of foreign exchange rate changes	(332)	(473)	(1,181)
Cash and cash equivalents at beginning of period			
From continued operations	14,052	16,309	16,309
From discontinued operations	586	**-**	**-**
	14,638	16,309	16,309
Cash and cash equivalents at end of period	**6,802**	**16,903**	**14,638**
Cash and cash equivalents attributable to discontinued operations	-	-	(586)
Cash and cash equivalents at end of the period	6,802	16,903	14,052
Tax cash flow	(44)	(972)	(2,824)
Interest paid	(551)	(213)	(1,260)

NOTE 1 - BASIS OF PREPARATION

Queenco Leisure International Ltd (the "Company" or "QLI") was incorporated in Israel on September 9, 2002.

The Company’s main activity is investment, through Israeli and foreign companies, (together, “the Group”), in tourist projects, including casinos and hotels, currently mainly in Greece, Serbia and the Czech Republic. The activities in Greece are in the city of Loutraki and Rhodes Island. The activities in Serbia are in the city of Belgrade. The activities in the Czech Republic are in the city of Prague. The Company provides advisory services to part of the projects.

On December 30, 2011 the first phase of the joint venture, "Queenco Hotel and Casino" including the opening of a hotel with approximately 60 rooms and a casino with slot machines and gaming tables in Sihanoukville, Cambodia, commenced and in March 2012 Ekreach opened a restaurant, in the casino.

The unaudited Interim Condensed Consolidated Financial Statements (“Interim Consolidated Financial Statements”) for the three month period ended March 31 2012 have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" and on a basis consistent with the accounting policies set out in the Financial Statements for the year ended December 31 2011 published on the Company's website on April 5 2012 ("2011 Financial Statements"). The Interim Consolidated Financial Statements should therefore be read in conjunction with the 2011 Financial Statements.

The Interim Consolidated Financial Statements for the three months period ended March 31 2012, were approved by the Board of directors on June 11 2012. The information relating to the year ended December 31 2011 is an extract from the 2011 Financial Statements.

The preparation of the Interim Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the 2011 Financial Statements, with the following additions referring to "Investments in Associates" and "Changes in the Group's ownership interests in existing subsidiaries":

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at fair value and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the fair value of the investment over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as

(in thousands of € unless otherwise stated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Changes in the Group's ownership interests in existing subsidiaries (Cont.)

the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

During the period, the Group recognized a profit of € 33,580 thousand in its financial statements, due to the loss of control of PBS in CHL. (see Note 7)

NOTE 3 - NOTE FOR THE CONSOLIDATED CASHFLOW STATEMENTS

	3 months ended March 31		Year ended December 31
	2012	**2011**	**2011**
	Unaudited		
Net loss	**21,111**	**(6,252)**	**(23,218)**
Adjustments for:			
Depreciation of property, plant and equipment	2,739	2,936	11,237
Amortisation of intangible assets	191	342	984
Increase in provisions	17	266	520
Loss on sale of property, plant, equipment and investment property	-	37	19
Loss on disposal of subsidiary	(33,580)	-	-
Loss on discontinued operation	3,597	-	-
Impairments and disposals	556	-	3,541
Investment income	(34)	(130)	(350)
Finance costs	536	507	2,171
Foreign exchange loss (gain)	203	(376)	(1,536)
Expense relating of grant of share options	(75)	8	294
Operating cash flows before movements in working capital	**(4,739)**	**(2,662)**	**(6,338)**
Decrease in inventories	104	124	158
Decrease (increase) in receivables	(88)	(85)	182
Increase (decrease) in payables	4,030	717	7,940
Cash generated by operations	**(693)**	**(1,906)**	**1,942**
Income taxes paid	(44)	(972)	(2,824)
Interest paid	(551)	(213)	(1,260)
Net cash from operating activities	**(1,288)**	**(3,091)**	**(2,142)**

NOTE 4 - INCOME TAX CHARGE

Interim period income tax is accrued based on the estimated average annual effective income tax rate of approximately 1%. No deferred tax assets were recorded with regard to losses of the Company in a total amount of € 22 million at March 31 2012 (€ 21 million and € 19 million at December 31 2011 and at March 31, 2011).

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

During the three month period ended March 31 2012, the Group spent approximately €346 thousand on capital expenditures (mainly for renovations and equipment).

NOTE 6 - DISCONTINUED OPERATION IN ROMANIA

In August 2011, due to ongoing losses, the Group's management decided to dispose of the operating segment in Romania.

In January, 2012 Tempotest (QLI's subsidiary and the parent company of Queen Investments) signed an agreement with an unrelated investor. The material terms of the agreement were as follows:

(a) The investor was to invest in Queen Investments an aggregate amount of € 700,000, of which € 300,000 were invested prior to the signing of the agreement and the remaining €400,000 was to be invested by April 30, 2012.
(b) As consideration for the foregoing investment, the investor was issued shares that represent, immediately after the issuance thereof, 51% of the issued and outstanding share capital of Queen Investments.
(c) The investor received the right to appoint 2 of 3 directors of Queen Investments. In addition, the investor has the right to appoint the chairman of the BOD of Queen Investments.

On 1 March 2012 the shares were issued to the investor and the Group no longer had control over the operations of Queen Investments.

On 4 April, 2012 Queen Investments was notified by the Romanian Gambling Commission that its license to operate the casino has been cancelled and the casino has been shut down due to a debt to the Romanian tax authorities. The Company, together with its Romanian legal counsel, has appealed the foregoing decision of the Gambling Commission.

On 5 April 2012 the Romanian court ordered to reopen the casino until June 2012, when a hearing on this matter will be conducted. Immediately foregoing the order, the casino was reopened to the public.

On 27 April 2012 the Company was informed by Queen Investments of the shutdown of the casino until further notice. To the Company’s best knowledge, the shutdown of the casino was due to economic and cash flow reasons. The Company’s management estimates that the shutdown will not have a material effect on the Group’s financial results.

On 2 May, 2012 the company announced that it had received notice from the investor sating that he has no intention of transferring the additional 400 thousand Euro and that he has a number of doubts regarding the transaction.

Due to the immateriality of the operations of the group's operating segment in Romania during the 3 months ended 31 March, 2012, the company has calculated the disposal of the operating segment in Romania based on the segment's financial information as at 31 December 2011. The transaction has been treated as a disposal of the segment in Romania in return for the consideration already received from the investor. In accordance with a valuation prepared on 31 September, 2011, the investment in the company's operating segment in Romania is presented at zero value as at 31 March, 2012.

(in thousands of € unless otherwise stated)

NOTE 6 - DISCONTINUED OPERATION IN ROMANIA (CONT.)

(1) The results of the discontinued operation for the relevant periods were as follows:

	3 months ended March 31,		Year ended December 31,
	2012	2011	2010
	Unaudited	Unaudited	
Revenues	-	3,022	10,718
Operating costs	-	(4,066)	(14,097)
Finance costs, net	-	(64)	216
Other expenses	-	(22)	(*)(2,141)
Loss before tax	-	(1,130)	(5,304)
Income tax	-	(346)	(750)
Loss for the period	-	(1,476)	(6,054)
Loss on disposal of operations in Romania	(3,597)	-	-
	(3,597)	(1,476)	(6,054)

(*) Including impairment in the amount of 1,662 related to the discontinued operation.

(2) The cashflows of the discontinued operation for the relevant periods were as follows:

	3 months ended March 31,	Year ended 31 December,
	2011	2011
	Unaudited	
Net cash used in operating activities	(1,193)	(2,827)
Net cash from (used in) investing activities	(39)	(57)
Net cash used in financing activities	-	-

(3) Translation differences from discontinued operation:

	3 months ended March 31,		Year ended 31 December,
	2012	2011	2011
	Unaudited	Unaudited	
Change during the period	-	185	176
Accumulated translation differences from disposal of operations in Romania	3,581	-	-

(in thousands of € unless otherwise stated)

NOTE 6 - DISCONTINUED OPERATION IN ROMANIA (CONT.)

(4) The balance of the discontinued operation is as follow:

	December 31, 2011
Non-current assets	
Intangible assets	66
Property, plant and equipment (net of impairment in the amount of 1,662)	573
Investment property	201
Other long term receivables	188
Total non-current assets	1,028
Current assets	
Inventories	184
Trade and other receivables	713
Cash and cash equivalents	586
Total current assets	1,483
Total assets	2,511
Current liabilities	
Accounts payable	(803)
Current tax liabilities	(265)
Other current liabilities	(1,406)
Total current liabilities	(2,474)
Non-current liabilities	
Deferred tax	(121)
Provision for retirement benefits	(31)
Total non-current liabilities	(152)
Total liabilities	(2,626)
Net assets (liabilities) disposed of	(115)
Consideration received, net	(192)
Transfer to profit and loss of translation reserve	3,581
Disposal of minority interest	323
Loss on disposal	3,597

NOTE 7 - INVESTMENTS IN ASSOCIATES

Up until and including the Company's 2011 financial statements, CHL was proportionally consolidated in the Company's consolidated financial information, by virtue of it being controlled by a chain of companies, in which the Company has a joint interest, in accordance with IAS 31 – Interests in Joint Ventures.

As a result of the above mentioned in subsection a, an exceptional situation has been created, in which, the Company has the power to express its joint control in the holding companies, up until, and including PB Spain, while the Company's joint control in CHL has ceased. Therefore, the Company's share in CHL can no longer to be proportionally consolidated from the moment control ceased and meats to be presented under the Equity Method as prescribed in IAS 28 – Investments in Associates. In fact, the loss of joint control in CHL, is derived by the Company's inability to express its portion in PB Spain's control

(in thousands of € unless otherwise stated)

NOTE 7 - INVESTMENTS IN ASSOCIATES (CONT.)

over CHL, therefore, from the Company's point of view, PB Spain has lost its control over CHL.

For convenience, the proportional consolidation of CHL was ceased on 31 March, 2012 (hereinafter – "the loss of control date"). In accordance, the Company's consolidated statements of comprehensive income (loss) include the proportionally consolidated profit and loss of CHL for the three months ended 31 March, 2012. The Company's consolidated statements of financial position as at 31 March, 2012 include the investment in CHL under the equity method.

The balances of the associate were as follows:

	As at		
	31 March		31 December
	2012	2011	2011
	Unaudited	Unaudited	
Non-current assets			
Intangible assets	4,080	5,574	4,599
Property, plant and equipment	126,650	139,153	132,072
Deferred tax asset	5,768	4,196	3,756
Other long term receivables	2,561	3,896	2,664
Total non-current assets	**139,059**	**152,819**	**143,091**
Current assets			
Inventories	486	591	692
Trade and other receivables	3,157	3,885	3,269
Cash and cash equivalents	11,458	9,813	13,630
Total current assets	**15,101**	**14,289**	**17,591**
Total assets	154,160	167,108	160,682
Current liabilities			
Accounts payable	(4,981)	(5,756)	(6,134)
Current tax liabilities	(1,563)	(3,929)	(1,500)
Other current liabilities	(29,641)	(19,003)	(22,558)
Bank overdraft and loans	(37,000)	(37,048)	(37,000)
Total current liabilities	**(73,185)**	**(65,736)**	**(67,192)**
Non-current liabilities			
Other long-term liabilities	(6,035)	(5)	(6,624)
Deferred tax	(1,680)	(1,242)	(675)
Provision for retirement benefits	(10,696)	(9,971)	(10,500)
Total non-current liabilities	**(18,411)**	**(11,218)**	**(17,799)**
Total Equity	**62,564**	**90,154**	**75,691**

(in thousands of € unless otherwise stated)

NOTE 7 - INVESTMENTS IN ASSOCIATES (CONT.)

The profits and losses of the subsidiary were as follows:

	Three months ended 31 March		Year ended 31 December
	2012	**(*) 2011**	**2011**
	Unaudited	**Unaudited**	
Revenues	22,762	29,937	104,956
Operating costs			
Cost of revenues	(22,115)	(23,661)	(81,624)
Selling and marketing expenses	(6,104)	(5,803)	(23,823)
General and administrative expenses	(4,508)	(4,385)	(15,850)
Other operating expenses	(1,598)	-	-
Operating loss	(11,563)	(3,912)	(16,341)
Investment income	8	27	90
Finance costs	(609)	(586)	(2,562)
Foreign exchange gain (loss)	(17)	(46)	(118)
Loss before tax	(12,181)	(4,517)	(18,931)
Tax	927	335	586
Loss for the period	(11,254)	(4,182)	(18,345)
Loss for the period attributable to:			
Equity holders	(12,026)	(4,912)	(19,075)
Municipality of Loutraki	772	730	730
	(11,254)	(4,182)	(18,345)

The profit/loss on disposal of the subsidiary was as follows:

Net assets disposed of	(31,282)
Disposal of surplus on investment	(3,836)
Investment in associate acquired	69,342
Transfer to profit and loss of translation reserve	(7,526)
Disposal of minority interest	6,882
Loss on disposal	33,580

NOTE 8 - SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group consolidates its business segments into one reporting segment based on the provisions of IFRS 8.

Geographical information:

(in thousands of € unless otherwise stated)

NOTE 8 - SEGMENT INFORMATION (CONT.)

The carrying amounts of non-current assets (fixed asset, investment property and intangible assets) in the Company's country of domicile (Israel) and in foreign countries based on the location of the assets are as follows:

	March 31		December 31
	2012	2011	2011
	Unaudited		
Israel	1,015	1,187	1,056
Greece	22,072	82,421	79,519
Romania	-	3,086	-
Serbia	-	18,891	16,505
Cambodia	13,924	12,572	14,215
Other foreign countries	5,080	8,088	5,272
	42,091	126,245	116,567

Revenues reported in the financial statements derive from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	3 months ended March 31		Year ended December 31
	2012	2011	2011
	Unaudited		
Israel	42	52	170
Greece	13,148	17,143	66,021
Serbia	978	1,255	4,414
Other foreign countries	1,165	999	4,717
	15,333	19,449	75,322

NOTE 9 - RELATED PARTY TRANSACTIONS

On 26 May, 2012 the three-year statutory term of office of Mr. Yechiel Gutman, an external director in the Company, expired. The Company shall convene a shareholders' meeting in order to appoint a successor external director to Mr. Gutman.

NOTE 10 - OTHER INFORMATION

1. The Company encountered certain disagreements with the co-shareholder of 50% in Vasanta ("B.A.T"). Such disagreements resulted in, inter alia, the frequent and lengthy convening of shareholders meetings and board meetings of the companies directly and indirectly controlled by Vasanta, as well as the non performance of various resolutions adopted at such meetings and disagreements as to the substance

   and interpretation of various resolutions adopted at such meetings (some of which affect the decision making process at CHL).

   The above mentioned disagreements were reflected in, among other ways, various legal proceedings initiated by each of the parties, which may affect the structure of

NOTE 10 - OTHER INFORMATION (CONT.)

the boards of directors of some of the companies directly and indirectly controlled by Vasanta, the decision making process at such boards of directors, the flow of

information to the shareholders of the companies and the distribution of dividends by such companies to their respective shareholders.

The said have resulted in several legal proceedings served against the Company as well as proceedings initiated by the Company against B.A.T and (to the best knowledge of the Company), B.A.T's ultimate controlling shareholder, Mr. Moshe Bublil, and other disputes such as:

(a) A dispute related to the amendment of the article of association of CHL upon which all board resolutions passed by simple majority and according to the Company was improperly adopted.
(b) A dispute as to the presence of Vasanta`s representative in the board of directors of PBS. The Company believes that this resolution was never duly passed.

The main changes regarding the dispute with the co-shareholder in Vasanta are as follows:

CHL's Board of Directors ("BOD") is comprised of 5 directors of which PBS (a company formed in Spain that holds 78% of the share capital of CHL) is entitled to nominate 4 and one is nominated by CHL's other shareholders. To the best of the Company's knowledge, beginning March 2012, 3 out of the 5 directors in CHL act, directly or indirectly, on behalf of Mr. Moshe Bublil. Since then, there has been an adverse effect on the Company's ability to obtain on-going information and financial data from CHL's management.

To the Company's best knowledge, decisions and discussions regarding major events are raised at CHL's BOD at the time such events occur and the director that through PBS acts on behalf of the Company, is invited and attends all BOD meetings so that all issues on the agenda of these BOD meetings are known to the Company. At the date of the approval of these interim financial statements, the Company evaluates that there is no material data or information that is yet un-known to the Company or that the Company has not yet received and which needs to be disclosed to the public, regarding CHL's activities.

2. On January 31, 2010 the Company, QLI Management and Mr. Zilkha, the controlling shareholder of the Company and the representative of QLI Management in its capacity as a director of Agastia, a company indirectly controlled by Vasanta ("Agastia") were served with a motion to approve a derivative claim, along with a copy of the derivative claim, to be filed by Agastia, filed with the Tel Aviv District Court by B.A.T.

   The remedies requested in the claim include declaratory remedies and a US$ 53.5 million monetary remedy.
   The claim relates to the acquisition of land in Cambodia. B.A.T claims that the Company took advantage of a business opportunity that was intended to be offered to Agastia and that the Company did not reveal to Agastia that it had received an offer to purchase an asset held by it in Cambodia, and therefore is seeking a monetary remedy that will reflect the damages that have allegedly been incurred by Agastia.
   The Company rejects the forgoing claims and filed an opposition on March 21, 2010, stating that the claim has no legal ground due to various reasons including: (1) the Company and Mr. Zilkha have operated in the gaming industry many years prior to their joint holding of Agastia; (2) the Company and Mr. Zilkha have operated casinos

NOTE 10 - OTHER INFORMATION (CONT.)

other than through Agastia; and (3) there are no restrictions on competition between the Company, Mr. Zilkha and Agastia.

As for B.A.T.'s additional claim, the Company stated that it had received no such purchase offer.
According to the Company's legal counsels' opinion, due to the strength of the Company's arguments, the likelihood of an unfavourable outcome against the Company is less than 50%.

On 1 February, 2012 a pre trial hearing was set for 26 June, 2012.

3. The Company was delayed in publishing its financial statements for the three month ended 31 March 2012 inter alia in light of the fact that CHL’s financial statements for the period ended 31 March 2012 were delivered only on 3 June 2012 to the Company.

4. On 8 April 2012 the motion to unite six claims relating to the dispute between the Company, on the one hand, and Mr. Moshe Bublil, Club Hotel Investments (C.H.) Ltd. and other third parties, on the other hand, was rejected by the Israeli Supreme Court, in light of the timing of the motion and the fact that two of the six underlying claims are in advanced stages. Nevertheless, the Supreme Court noted that it does not deny the possibility that, following resolution in the claims that are currently in their final stages, there may be good reason to unite the procedures relating to the other claims.

5. CHL incurred a net loss of € 12 million during the period ended March 31, 2012, and as of that date, CHL's current liabilities exceeded its current assets by €58 million (of which € 37 million are unsecured credit to Bank Piraeus, which can be called up at any time by the bank).

   CHL’s management does not expect that existing cash reserves together with cash generated from the operations will be sufficient to repay the total credit facility if it is called up.

   To the best of the Company's knowledge, CHL’s management believes that the ongoing negotiations with Piraeus Bank regarding this credit facility will have a positive outcome in terms of a prolonged schedule of repayment. Furthermore, CHL’s management continues its efforts towards severe cost cutting in 2012.

   In addition, CHL has unsecured assets which can be used to secure future debt financing, if needed.

   Accordingly, the financial information of CHL, has been prepared assuming that the CHL will continue as a going concern and does not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result should CHL be unable to continue as a going concern.

   The information with respect to CHL contributes a significant portion to the Group's consolidated financial information. However, the Group has other activities.

   In addition, the Company is not obligated to provide a capital injection to CHL, or to cover its liabilities and to the best of the Company’s knowledge, PBS's current cash position is approximately € 8.4 million.

NOTE 10 - OTHER INFORMATION (CONT.)

6. On 1 June, 2012, the Company filed a lawsuit in Greece against CHL to determine that CHL is committed to transfer of financial information according to the IFRS standards in a timely manner when due, at its request and without being charging a fee for preparation of such financial statements. The Company also asked the court to determine that CHL return immediately to the Company all payments in respect of audits of the statements it previously paid under protest and lack of choice. A hearing was set for March 26, 2015.

   On 19 June 2012 the Company filed a lawsuit against Vasanta and Dasharta required for their consolidated financial statements to be provided in a timely manner when due. The hearing was scheduled for 12 November 2012.

7. On 20 April 2012, the Company received a Tender Offer from Y.Z. Queenco to purchase from holders of the Company, all of the issued and outstanding share capital of the Company not already held by the Y.Z. Queenco or its wholly owned subsidiary

   Shahar Hamillenium Limited, a total of 128,453,574 shares, representing approximately 36.3 per cent., in exchange for newly issued Ordinary Shares in Y.Z. Queenco which is listed in the Tel Aviv Stock Exchange.

   The consideration offered by Y.Z. Queenco for the tendered the Company ordinary shares is Y.Z. Queenco shares in an amount representing 95% of the holding percentage in the issued and outstanding share capital of the Company immediately prior to the consummation of the tender offer.

   On 22 May 2012, Y.Z. Queenco has informed the Company that the period for tendering shares and GDRs pursuant to the terms of the tender offer has expired without the conditions for completion of the tender offer being met, and that as a result the tender offer is cancelled.

8. During May 2012, employees of CHL went on strike on a number of different occasions and for 24 hours each time. To the best of the Company's knowledge, the strikes were made by the employees as part of the process of discussions of a collective labour agreement for the year 2012. During June, 2012 the collective labour agreement between the union of employees and CHL was signed.

8. The Company filed a declatory claim at the commercial court of Barcelona against one of a member of PBS's board of directors, stating that the defendant overreached the powers granted to him in the representation of PBS at the shareholders meeting of CHL on November 3, 2011. To date, a judgment on these proceeding has not yet been handed down. In addition, the Company filed an additional declaratory claim against PBS to declare unenforceable, on the grounds of nullity and voidability, all the resolutions adopted by the board of directors of PBS in its meeting of April 12, 2011. The claim was dismissed in December 2011 and was appealed on January 25, 2012. To date, proceedings before the Appeal Court are continuing and the Appeal Court has not delivered its decision yet on the appeal.

9. During the period, the Company incurred an impairment loss of approx. € 0.6 million regarding land held as a fix asset in Loutraki.

10. On 24 May 2012, the Romanian court authorized a solvency procedure for Queen Investments and appointed a special court appointed manager in order to convene a creditors meeting and to corporate of all the company's assets. An additional hearing was set for 18 October, 2012 in order for the special manager to determine whether to continue the solvency process or to begin dismantling the company.