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TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8022)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 in this announcement misleading.

The board of Directors (the “Board”) of TLT Lottotainment Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2013 together with the comparative figures for the year 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Continuing operations			
Turnover	3&4	32,703	23,194
Cost of service		(29,576)	(18,860)
Gross profit		3,127	4,334
Other income and gain or loss, net	5	13,497	(391)
Gain on fair value changes on derivative financial instruments		—	11,572
Operating and administrative expenses		(31,871)	(20,437)
Impairment loss on an associate		—	(15,220)
Impairment loss on jointly controlled entities		—	(127)
Gain on reversal of impairment loss on investment deposit		—	41,000
Impairment loss on goodwill		(20,402)	(14,329)
(Loss)/profit from operations		(35,649)	6,402
Finance costs	6	(13,410)	(31,124)
Share of loss of an associate		—	(1,335)
Share of loss of jointly controlled entities		—	(1,373)
Loss before taxation	6	(49,059)	(27,430)
Taxation	7	(12)	—
Loss after taxation from continuing operations		(49,071)	(27,430)
Discontinued operations			
Loss from discontinued operations		(5,511)	(28,823)
Loss for the year		(54,582)	(56,253)
Attributable to:			
Equity shareholders of the Company			
— From continuing operations		(47,690)	(27,993)
— From discontinued operations		(2,892)	(18,199)
		(50,582)	(46,192)
Non-controlling interests			
— From continuing operations		(1,381)	563
— From discontinued operations		(2,619)	(10,624)
		(4,000)	(10,061)
Loss for the year		(54,582)	(56,253)
Loss per share			
From continuing and discontinued operations	9a		
Basic and diluted		(31.07) cents	(70.36) cents
From continuing operations	9b		
Basic and diluted		(29.30) cents	(42.64) cents
From discontinued operations	9c		
Basic and diluted		(1.78) cents	(27.72) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
Loss for the year	(54,582)	(56,253)
Other comprehensive income for the year (after tax and reclassification adjustment)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	53	21
Exchange reserve released upon disposal of discontinued operations	–	170
Other comprehensive income for the year	53	191
Total comprehensive expense for the year	(54,529)	(56,062)
Attributable to:		
Equity shareholders of the Company	(50,529)	(45,997)
Non-controlling interests	(4,000)	(10,065)
Total comprehensive expense for the year	(54,529)	(56,062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		1,086	810
Intangible assets		91	181
Goodwill		—	20,402
		1,177	21,393
Current assets			
Trading security		—	981
Trade and other receivables	10	37,948	61,375
Restricted bank deposits		1,732	1,721
Cash and cash equivalents		4,973	4,491
		44,653	68,568
Assets classified as held for sales		66,945	68,772
		111,598	137,340
Current liabilities			
Trade and other payables	11	19,328	7,505
Interest bearing borrowing		—	122,600
Finance lease payables		97	26
		19,425	130,131
Liabilities directly associated with assets classified as held for sales		33,417	29,732
		52,842	159,863
Net current assets/(liabilities)		58,756	(22,523)
Total assets less current liabilities		59,933	(1,130)
Non-current liabilities			
Convertible bonds		—	27,937
		—	27,937
NET ASSETS/(LIABILITIES)		59,933	(29,067)
CAPITAL AND RESERVES			
Share capital		280,068	32,824
Reserves		(203,700)	(49,456)
Total equity attributable to equity shareholders of the Company		76,368	(16,632)
Non-controlling interests		(16,435)	(12,435)
TOTAL EQUITY		59,933	(29,067)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in investment holding, travel agent services, advertising and marketing services and trading of securities.

2. CHANGES IN NEW AND REVISED HKFRSs APPLIED

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to HKFRSs (2009-2010)	Amendments to HKFRS 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance

The initial application of these financial reporting standards does not necessitate material changes in the company’s accounting policies except the following:

- (i) HKFRS 10 “Consolidated Financial Statements” modifies the concept of “control” substantially. The Company’s adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;
- (ii) HKFRS 11 “Joint Arrangements” introduces the concepts of “joint venture” and “joint operations”. The Company’s adoption of these new concepts does not result in a change in the classification and measurement of investments in joint ventures and other entities; and
- (iii) HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new disclosure requirements for unconsolidated structured entities.
- (iv) HKFRS 13 “Fair Value Measurement” introduces a number of new concepts and principles regarding fair value measurement. The Company’s adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.

3. TURNOVER

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

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

	2013 HK\$'000	2012 HK\$'000
Continuing operations		
— Advertising and marketing services	9,600	6,177
— Revenue from travel agent services	23,103	17,017
	32,703	23,194
Discontinued operations		
— Artists management income	592	277
— Revenue from stage drama	—	397
	592	674
	33,295	23,868

4. SEGMENT REPORTING

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

In 2013, the Group had four business segments, namely (i) travel agent services, (ii) advertising and marketing services, (iii) trading of securities and (iv) entertainment:

- Travel agent services: this segment engaged in the provision of tourist routes and tour related services. Currently the Group's activities in this regard are carried out in the PRC.
- Advertising and marketing services: This segment engaged in the provision of product advertising and promotion, marketing agency and planning, function organization and media project services. Currently the Group's activities in this regard are carried out in Hong Kong.
- Trading of securities: This segment engaged in trading of Hong Kong listed security. Currently, the Group's activities in this regard are carried out in Hong Kong.
- Entertainment: this segment engaged in the training of contracted artists and their assignment to advertisement production. Currently the Group's activities in this regard are carried out in Hong Kong. Such business were carried out by the disposal group and classified as discontinued operation.

Segment results

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

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

	2013				Sub-Total HK\$'000	Discontinued Operation Entertainment HK\$'000	Total HK\$'000
	Continuing Operations						
Other information	Travel agent services HK\$'000	Advertising and Marketing services HK\$'000	Trading of Securities HK\$'000	Unallocated head office expenses HK\$'000			
Revenue							
Reportable segment revenue	23,103	9,600	-	-	32,703	592	33,295
Elimination of inter-segment revenue	-	-	-	-	-	-	-
Consolidated turnover	23,103	9,600	-	-	32,703	592	33,295
Profit							
Reportable segment profit/(loss)	361	2,055	-	-	2,416	(4,092)	(1,676)
Elimination of inter-segment profits	-	-	-	-	-	-	-
Reporting segment profit/(loss) derived from the Groups external customers	361	2,055	-	-	2,416	(4,092)	(1,676)
Other income and gain, net	225	34	499	12,739	13,497	381	13,878
Depreciation and amortisation	(54)	(79)	-	(69)	(202)	(1,800)	(2,002)
Finance costs	(12)	(18)	(1)	(13,379)	(13,410)	-	(13,410)
Impairment loss on goodwill	-	-	-	(20,402)	(20,402)	-	(20,402)
Unallocated head office and corporate expenses	-	-	-	(30,958)	(30,958)	-	(30,958)
Consolidated profit/(loss) before taxation	520	1,992	498	(52,069)	(49,059)	(5,511)	(54,570)

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

Geographical Segments

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

	Revenue from external customers	
	2013 HK\$'000	2012 HK\$'000
Continuing operations		
— PRC	23,103	17,017
— Hong Kong	9,600	6,177
	32,703	23,194
Discontinuing operations		
— PRC	—	397
— Hong Kong	151	277
— Others	441	—
	592	674

Major customers

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

5. OTHER INCOME AND GAIN OR LOSS, NET

	Continuing operations		Discontinued operations		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other income						
Interest income from banks	142	46	—	—	142	46
Sundry income	89	105	381	104	470	209
Gain on disposal of property, plant and equipment	34	—	—	—	34	—
Compensation Sum (<i>note</i>)	12,733	—	—	—	12,733	—
	12,998	151	381	104	13,379	255
Gain, net						
Net realised/unrealised gains/(loss) on trading of securities	499	(542)	—	—	499	(542)
	499	(542)	—	—	499	(542)
	13,497	(391)	381	104	13,878	(287)

Note: The compensation sum represented the shortfall of guaranteed profit, guaranteed by the vendor in favour of the Company in relation to the acquisition of the entire issued share capital of Creative Stars Limited. Details of the compensation sum are disclosed in the announcements of the Company dated 6 May 2013 and 16 May 2013 respectively.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Finance costs						
Interest on bank advances and other borrowings wholly repayable within five years	12,778	14,188	—	—	12,778	14,188
Interest on promissory notes	—	8,105	—	—	—	8,105
Interest on convertible bond	—	2,398	—	—	—	2,398
Interest on finance lease	12	48	—	12	12	60
Others	62	63	1	993	63	1,056
Total interest expense on financial liabilities not at fair value through profit or loss	12,852	24,802	—	1,005	12,853	25,807
Interest on convertible bond	558	6,322	—	—	558	6,322
Interest expense on financial liabilities at fair value through profit or loss	558	6,322	—	—	558	6,322
	13,410	31,124	1	1,005	13,411	32,129

7. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
Provision of PRC						
Enterprise Income Tax for the year	12	—	—	—	12	—
	12	—	—	—	—	—

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2013 and 2012. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC income tax rate is 25% (2012: 25%).

The Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$14,317,000 (2012: HK\$8,936,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

8. DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserve for the year (2012: Nil).

9. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the followings data:

Number of shares

	Number of shares	
	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic loss and diluted loss per share	162,790	65,647

The diluted loss per share from continuing operations for the years ended 31 December 2013 and 2012 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

The calculation of the basic and diluted loss per share is based on the loss attributable to ordinary equity shareholder of the Company of HK\$50,582,000 (2012: HK\$46,192,000) and the weighted average of 162,790,000 (2012: 65,647,000) ordinary shares in issue during the year.

(b) From continuing operations

Basic and diluted loss per share for the continuing operations in 2013 and 2012 is calculated based on the loss from the continuing operations of HK\$47,690,000 (2012: HK\$27,993,000) and the denominators used are the same as those detailed above at (a).

(c) From discontinued operations

Basic and diluted loss per share for the discontinued operations is calculated based on the loss from the discontinued operations of HK\$2,892,000 (2012: loss of HK\$18,199,000) and the denominators used are the same as those detailed above at (a).

10. TRADE AND OTHER RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade debtors (<i>note a</i>)	1,456	2,422
Other receivables	26,379	44,186
Rental and other deposits	3,523	7,191
Loans and receivables	31,358	53,799
Prepayments	6,590	7,576
	37,948	61,375

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

(a) Ageing analysis

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

	2013 HK\$'000	2012 HK\$'000
Within 1 month	243	1,383
More than 1 month but within 3 months	119	500
More than 3 months but within 6 months	115	—
More than 6 months	979	539
	1,456	2,422

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

(b) Trade debtors that are not impaired

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

	2013 HK\$'000	2012 HK\$'000
Neither past due nor impaired	1,456	2,422
Less than 1 month past due	—	—
	1,456	2,422

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2013 HK\$'000	2012 HK\$'000
Trade creditors (<i>note a</i>)	2,443	619
Other payables and accrued charges	6,449	2,080
Amounts due to related persons	1,746	280
Other taxes and government surcharges payables	8	7
<hr/>		
Financial liabilities measured at amortised cost	10,646	2,986
Receipts in advance	8,682	4,519
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	19,328	7,505

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

(a) Ageing analysis

The ageing analysis of trade creditors at the end of the reporting period is as follows:

	2013 HK\$'000	2012 HK\$'000
Within 1 month	784	347
More than 1 month but within 3 months	555	155
More than 3 months	1,104	117
<hr/>		
	2,443	619

(b) The amounts represent prepaid service income from customers, for which the related services are expected to be rendered within one year from the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Travel agency business

The travel industry in PRC has been extremely competitive last year. A lot of individual customers have accustomed to using online platform for buying tickets and hotel booking. Given such circumstances, the Directors are considering various options to improve the profitability of the travel agency business.

Advertising and marketing services

The performance of the advertising and marketing services has been disappointing last year. This is mainly due to increasingly high cost of operation. The management team is considering the possibilities of broadening the scope of services in order to achieve a higher margin.

Entertainment business

The Macau Talent Academy business has been disposed of during the year. The Directors shall seek other investment opportunities in the field which will benefit the Group and the shareholders. On 6 November 2013, the Company has entered into the memorandum of understanding in relation to an acquisition of a target group engaged in businesses of artist management, marketing and promotional activities. The Directors are currently conducting the due diligence review on the target group. Should the Company proceed with any material contract, further announcement shall be made.

Securities trading business

The Group does not hold any listed securities as at this announcement date. The Directors shall from time to time evaluate the market situation to pursue any securities investment opportunities while maintaining the balance of investment risk and return.

Kids clothing business

The Company has entered into a sale and purchase agreement to acquire a target group engaged in wholesale and distribution of branded kids clothing. The acquisition is subject to shareholders' approval. The Directors believe, if the acquisition materializes, the kids clothing business will become a major source of revenue of the Group.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2013, the total assets of the Group was approximately HK\$112 million (2012: HK\$158 million), including cash and bank balances and restricted bank deposits of approximately HK\$6 million (2012: HK\$6 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was 88.17% (2012: Nil).

Charges on Group's Assets

The Board wishes to announce that the Company has exercised its rights and has on 20 December 2013 repaid to Mr. Chan Wing Chiu ("Mr. Chan") all outstanding principal of the Loan Facility in the sum of HK\$32,000,000 and all interest accrued thereon calculated up to and inclusive of 20 December 2013 in the sum of HK\$1,830,575.30. The Board considers that the repayment of the Loan Facility could reduce the Company's debt position and improve the gearing ratio of the Company and therefore it is in the interests of the Company and its shareholders of the Company as a whole. Following and as a result of the repayment of the Loan Facility, the Company has fully settled all sums due under the Loan Facility and no further sum or obligation is owed by the Company to Mr. Chan.

Capital Structure

During the year, the Company issued 131,294,226 shares by way of open offer on the basis of two offer shares for every one existing share held at HK\$0.50 per offer share.

The Company also entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 13,110,000 placing shares on a best efforts basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at the placing price of HK\$0.60 per placing share.

In addition, the Company issued 350,085,565 shares by way of open offer on the basis of two offer shares for every three shares held with bonus shares in the proportion of three bonus shares for every two offer shares taken up under the open offer at HK\$0.50 per offer share. The number of issued shares of the Company was 560,136,904 as at 31 December 2013 and the date of this announcement.

COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Within 1 year	3,564	3,181
Within 5 years and after 1 year	16,202	13,024
After 5 years	–	2,894
	19,766	19,099

VERY SUBSTANTIAL DISPOSAL OF 51% SHAREHOLDING INTEREST IN FOUNTAIN CITY HOLDINGS LIMITED

On 28 December 2012, the Company and the Vendors, have agreed on the exercise by the Company of the Put Option of Fountain City Holdings Limited (the “Disposed Company”) to put back the Sale Shares to the Vendors at the Put Option Price of HK\$58,650,000 as the Vendors had acknowledged that the Company was loss making.

The Disposed Company was a 51% owned subsidiary of the Group. The principal business of the disposed Company and its subsidiaries is (i) entertainment programme production; (ii) events organization; and (iii) TV-series production.

The Disposal was approved by the Shareholders at the EGM held on 26 August 2013. Accordingly, the Completion shall take place on or before 24 February 2014 which is 180 days after the Disposal is approved by the Shareholders and the Option Exercise price shall be satisfied by the Vendor to the Purchaser on the same day. However the Vendor has failed to effect payments of the Option Exercise Price and the Loans pursuant to the Agreement and the Verbal Agreement.

After negotiations with the Vendor and the Guarantor, the parties entered into a deed of settlement pursuant to which the Vendor and the Guarantor jointly and severally covenant to the Purchaser that they shall effect payment of the Option Exercise Price and the Loans in the aggregate amount of HK\$64,894,000 by four equal instalment payments of HK\$16,223,500 each with the first instalment payment to be made on or before 24 September 2014, the second instalment payment to be made on or before 24 December 2014, the third instalment payment to be made on or before 24 March 2015 and the fourth payment to be on or before 24 June 2015.

Details refer to the Company’s announcements dated 8 January 2013, 26 August 2013, 24 March 2014 and the Company’s circular dated 8 August 2013.

LAPSE OF THE ACQUISITION OF MASS APEX LIMITED

As disclosed in the Company announcement dated 26 November 2012, the Company, through its wholly owned subsidiary, Fame Network Limited to acquire the entire issued share capital of the Mass Apex Limited which principally engaged in the trading of raw food material business in Hong Kong at a consideration of HK\$68,000,000. As of 8 July 2013, some of the conditions precedent to the Acquisition had not been fulfilled, after negotiation between the Purchaser and the Vendor, the Board decided that the Long Stop Date would not be further extended, accordingly, the Sale and Purchase Agreement lapsed with effect from 5:00 p.m. on 8 July 2013. The Directors consider that this would avoid further expenses to be incurred by the Group and is in the interests of the Company and the Shareholders as a whole.

Upon the Sale and Purchase Agreement, the Vendor shall refund the sum of HK\$2,000,000, being the deposit paid by the Purchaser to Vendor, despite the Company has repeatedly demanded for the return of the Deposit, the Vendor failed to return the Deposit, upon the legal advice that the Company has obtained from its solicitors, the Purchaser has commenced legal action against the Vendor at the Court of First Instance in the High Court of HKSAR on 30 October 2013 to claim for return of the Deposit.

On 11 December 2013, the Purchaser and the Vendor entered into a deed of settlement pursuant to which the Vendor undertook to refund the Deposit by 10 monthly instalments by issuing ten post-dated cheques. On 19 December 2013, as the first cheque dated 11 December 2013 was honoured, pursuant to the deed of settlement, the Purchaser has filed a notice of discontinuance with the High Court of the Court of First Instance of the HKSAR.

Details refer to the Company's announcements dated 26 November 2012, 4 December 2012, 27 December 2012, 25 January 2013, 8 February 2013, 8 March 2013, 8 April 2013, 8 May 2013, 7 June 2013, 9 July 2013, 18 July 2013, 2 August 2013, 7 August 2013, 18 October 2013, 30 October 2013, 11 December 2013 and 19 December 2013.

MAJOR TRANSACTION IN RELATION TO ACQUISITION

As disclosed in the Company announcement dated 29 October 2013, the Company, through its wholly owned subsidiary, Prosperous Link Investments Limited to acquire the entire issued share capital of Grace Profit Corporations Limited which is principally engaged in fashion wholesale, distribution and trading business at the sales shares and sale loan at an aggregate consideration of HK\$100,000,000. Shareholders and investors should note that Completion is subject to various conditions as stated in the section headed "Conditions Precedent".

As additional time is required to finalize certain information to be included in the Circular, it was expected that the date of dispatch of the Circular would be on or before 25 April 2014.

Details refer to the Company's announcements dated 18 July 2013, 29 October 2013, 19 November 2013, 3 December 2013, 19 December 2013, 30 January 2014, 21 February 2014 and 21 March 2014.

THE MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION

On 6 November 2013, the Company and Able Step Holdings Inc., (the "Prospective Vendor") entered into a memorandum of understanding (the "MOU") in relation to the Proposed Acquisition. The target group is engaged in the business of artist management, marketing and promotional activities. The MOU is not legally binding with regard to the proposed acquisition, it may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

As additional time is required for, among other things, completing the due diligence works and negotiating the terms for the transaction documents for the proposed acquisition, the prospective vendor and the Company have entered into a supplemental MOU on 6 February 2014 to extend the exclusivity period to 5 May 2014 or such further period as may be agreed by the parties in writing.

Details refer to the Company's announcements dated 6 November 2013 and 6 February 2014.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2013 is set out in note 4 to this announcement.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 39 (2012: 62) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2013 amounted to approximately HK\$4 million (2012: HK\$11 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

CORPORATE GOVERNANCE

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

The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 31 December 2013, the Company has complied with most of the code provisions of the CG Code, save for deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained below.

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

Chairman and Chief Executive Officer

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

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 year under review, Ms. Yip Man Yi acted as the chairman of the Company (the "Chairman") until 10 April 2013. Mr. Zhao Tuanjie has been appointed as the Chairman on 10 April 2013 and has ceased to act as the Chairman on 10 June 2013. However, the office of Chairman has been vacant since the resignation of Mr. Zhao Tuanjie as the Chairman and executive Director with effect from 10 June 2013. In addition, the role of the chief executive officer of the Company (the "CEO") has also been vacant since 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 posts of the Chairman and the CEO as appropriate and will make further announcement in due course. There is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Independent Non-executive Directors have entered into a service contract or an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and offer themselves for re-election at the annual general meeting at least once for every three years in accordance with the Articles of Association. The Company believes such practice meets the same objective and no less exacting than those prescribed under code provision A.4.1.

The annual general meeting held on 13 May 2013, the Chairman and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee have attended the said AGM to answer questions of the shareholders of the Company. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, independent non-executive Directors could not attend the extraordinary general meetings (the "EGMs") but they have appointed other executive Directors as their representative at the respective EGMs. In the future, the Company will try its best to encourage and ensure the independent non-executive Directors will attend the EGMs.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2013, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company or any of its respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. During the year ended 31 December 2013, the Audit Committee has performed its duties, reviewed the effectiveness of the internal control system of the Company and reviewed the re-appointment of the external auditors. The unaudited quarterly and interim together with the audited annual results of the Company in respect of the year ended 31 December 2013 have also been reviewed by the Audit Committee.

As at 31 December 2013, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Ho Kenneth Kai Chung, Ms. Lam Yuk Ying, Elsa and Mr. Lau Shu Yan. Mr. Lau Shu Yan is the chairman of the Audit Committee and applies his professional qualifications in accounting and financial expertise in directing the Audit Committee. Subsequent to the year ended 31 December 2013, Mr. Lau Shu Yan has resigned as independent non-executive Director and ceased to be the chairman and members of the audit committee and Mr. Yiu Yuen Kai and Mr. Liu Kwong Sang have been appointed as independent non-executive Directors and members of audit committee on 16 January 2014. Mr. Liu Kwong Sang has also been appointed as the chairman of the audit committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

By order of the Board
TLT Lottotainment Group Limited
Lin Yan
Executive Director

Hong Kong, 25 March 2014

As of the date of this announcement, the executive directors of the Company are Ms. Lin Yan, Jenny, Mr. Wu Wenbei and Mr. Au Yeung Yiu Chung; and the independent non-executive directors of the Company are Mr. Ho Kenneth Kai Chung, Ms. Lam Yuk Ying, Elsa, Mr. Liu Kwong Sang and Mr. Yiu Yuen Kai.

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