



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013

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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 Exchange for the purpose of giving information with regard to the Company. The directors of the Company (“the Director(s)”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$7,135,000 (continuing operation: approximately HK\$7,045,000 and discontinued operation: HK\$90,000) for the three months ended 31 March 2013 (2012: approximately HK\$7,546,000, continuing operation: approximately HK\$7,100,000 and discontinued operation: approximately HK\$446,000), representing a decrease of approximately 5.45% as compared to the corresponding period in 2012.
- Profit from ordinary activities attributable to equity shareholders of the Company was approximately HK\$5,462,000 for the three months ended 31 March 2013 (loss in 2012: approximately HK\$15,222,000).
- Basic earnings per share for continuing and discontinued operations for the three months ended 31 March 2013 was approximately HK8.32 cents (basic loss per share in 2012: approximately HK4.64 cents) and earnings per share for continuing operation was approximately HK11.13 cents (basic loss per share in 2012: approximately HK3.43 cents).
- The directors do not recommend the payment of any dividend for the three months ended 31 March 2013 (2012: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 31 March 2013

The board (the “Board”) of directors (the “Directors”) of TLT Lottotainment Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013 together with the unaudited comparative figures for the corresponding period in 2012 (the “Relevant Period”) as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 31 March	
		2013 HK\$'000	2012 HK\$'000 (Re-presented)
TURNOVER	2		
CONTINUING OPERATIONS		7,045	7,100
DISCONTINUED OPERATIONS		90	446
		7,135	7,546
COST OF SERVICES		(6,278)	(7,085)
GROSS PROFIT		857	461
OTHER INCOME AND GAIN	2	16,408	44
OPERATING AND ADMINISTRATIVE EXPENSES		(6,352)	(10,695)
FINANCE COSTS	4	(6,404)	(5,130)
SHARE OF LOSSES OF ASSOCIATES		–	(1,368)
SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES		–	(141)
PROFIT/(LOSS) BEFORE TAXATION	5	6,355	(12,763)
CONTINUING OPERATIONS		6,355	(12,763)
DISCONTINUED OPERATIONS		(1,846)	(4,066)
TAXATION	6	–	–

		Unaudited	
		Three months ended	
		31 March	
	Notes	2013	2012
		HK\$'000	HK\$'000
			(Re-presented)
PROFIT/(LOSS) FOR THE PERIOD			
CONTINUING OPERATIONS		6,355	(12,763)
DISCONTINUED OPERATIONS		(1,846)	(4,066)
		4,509	(16,829)
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		5,462	(15,222)
NON-CONTROLLING INTERESTS		(953)	(1,607)
		4,509	(16,829)
PROFIT/(LOSS) FOR THE PERIOD			
		4,509	(16,829)
EARNINGS/(LOSS) PER SHARE			
8			
FOR CONTINUING AND DISCONTINUED OPERATIONS			
– BASIC		8.32 cents	(4.64 cents)
– DILUTED		8.32 cents	(4.64 cents)
FOR CONTINUING OPERATIONS			
– BASIC		11.13 cents	(3.43 cents)
– DILUTED		11.13 cents	(3.43 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	4,509	(16,829)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	18	(8)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	18	(8)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	4,527	(16,837)
ATTRIBUTABLE TO:		
EQUITY SHAREHOLDERS OF THE COMPANY	5,480	(15,230)
NON-CONTROLLING INTERESTS	(953)	(1,607)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	4,527	(16,837)

Notes:

1. Basis of preparation and principal accounting policies

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange (the “GEM Listing Rules”).

The accounting policies adopted in preparing the unaudited first quarterly consolidated results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2012.

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

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

As at 31 March 2013, the Group had in net liabilities position. The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group and the Company:

- (i) The Group and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company;
- (ii) The Group and the Company would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flows in 2013;
- (iii) The Company’s directors have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as and when they fall due;
- (iv) The Company is successful in obtaining credit line from an authorized financial institution in Hong Kong; and
- (v) The convertible noteholder of the Company has agreed to extend the due date of the convertible note for one year from the original due date which fall due on 28 March 2013 to 28 March 2014.

1. Basis of preparation and principal accounting policies (Continued)

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

Should the Group and the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. Turnover, other income and gain

The Group is engaged in the provision of travel agent services, advertising and marketing services and trading of security. During the year ended 31 December 2012, the Group ceased the operation of stage drama following the disposal of the subsidiaries on 28 December 2012 and the business of provision of artist management services as set out in note 7. Revenue recognized during the Relevant Period is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
		(Re-presented)
Turnover		
Continuing operations		
Revenue from travel agent services	5,695	4,075
Advertising and marketing services income	1,311	3,025
Gain in trading of equity investment at fair value through profit or loss	39	–
Discontinued operations		
Artist management income	90	49
Revenue from stage drama	–	397
Sub-total	7,135	7,546
Other income and gain		
Change in fair value of financial liabilities	3,548	–
Sundries	12,736	2
Interest income	124	42
Sub-total	16,408	44
Total	23,543	7,590

3. Segmental information

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

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

(i) For the three months ended 31 March 2013 (Unaudited)

	Continuing operations			Discontinued operations		Total HK\$'000
	Travel agent services (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Securities (Hong Kong) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	
Turnover	5,695	1,311	39	90	-	7,135
Segment results	(63)	(67)	38	(937)	-	(1,029)
Unallocated items:						
Other income and gain						12,860
Operating and administrative expenses						(928)
Finance costs						(6,394)
Share of losses of associates						-
Share of losses of jointly controlled entities						-
Profit before taxation						4,509
Taxation						-
Profit for the period						4,509
Attributable to:						
Equity shareholders of the Company						5,462
Non-controlling interests						(953)
Profit for the period						4,509

3. Segmental information (Continued)

(ii) For the three months ended 31 March 2012 (Unaudited)

	Continuing operations			Discontinued operations		Total HK\$'000
	Travel agent services (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Securities (Hong Kong) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	
Turnover	4,075	3,025	-	49	397	7,546
Segment results	(132)	231	-	(1,957)	(1,066)	(2,924)
Unallocated items:						
Other income and gain						44
Operating and administrative expenses						(7,310)
Finance costs						(5,130)
Share of losses of associates						(1,368)
Share of losses of jointly controlled entities						(141)
Loss before taxation						(16,829)
Taxation						-
Loss for the period						(16,829)
Attributable to:						
Equity shareholders of the Company						(15,222)
Non-controlling interests						(1,607)
Loss for the period						(16,829)

4. Finance costs

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Interest on convertible bonds	936	817
Interest on promissory notes	–	3,297
Interest on finance lease	4	22
Others	5,464	994
	6,404	5,130

5. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Cost of services	6,278	7,085
Amortisation of intangible assets	23	3,097
Depreciation	47	164
Operating lease charges in respect of property rentals	226	982
Staff costs including directors' emoluments	1,180	3,425

6. Taxation

Taxation represents:

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Deferred tax	-	-
	-	-

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

7. Discontinued operations

Circle One Group

On 31 August 2012, the Group disposed of 100% equity interest of Circle One International Limited (the "Circle One") to an independent third party at a total consideration of US\$1.00.

Dragon Gain Group

On 28 December 2012, the Company and Tang Tsz Hoo Anthony, Chan Chui Man and Yeung Wai Bo (the "Vendors") have agreed on the early exercise by the Company of the put option to put back the sale shares to the Vendors at the put option price of HK\$49,200,000 as the Vendors had acknowledged that it was their assessment that consolidated net profit would not be able to meet with the profit guarantee. According to the put option deed, the Company may only exercise the put option at any time when an audited accounts for the two years during the profit guarantee period are delivered to the Company until 30 days thereafter, which would be sometime within the third quarter of 2013. In view of the under performance of Dragon Gain Worldwide Limited (the "Dragon Gain Group"), both the Company and the Vendors considered that it would be to the mutual benefit of all parties for the put option shares to be put back by the Company to the Vendors early instead of waiting until the third quarter of 2013. Under the agreement for the early exercise by the Company of the put option, the Company has put back the sale shares to the Vendors on 28 December 2012 at the put option price of HK\$49,200,000.

7. Discontinued operations (Continued)

Fountain City Group

During the year ended 31 December 2012, pursuant to the agreement entered between the Company and Diwang Limited (the "Vendor") in connection to the acquisition of the 51% equity interest of Fountain City Holdings Limited and its subsidiaries ("Fountain City Group") dated on 7 October 2010, the Vendor irrevocably granted to the Company the put option exercisable at any time and from time to time during the option period by notice in writing to the Vendor to require the Vendor to purchase all the option shares from the Company at the option exercise price.

The Company may only exercise the put option on the conditions that:

- (i) the gross profits of the Fountain City Group for the first period shall be less than HK\$15,000,000; or
- (ii) the gross profits of the Fountain City Group for the second period shall be less than HK\$30,000,000.

For the purpose of ascertaining the gross profits for the first period or as relevant, the second period, the Vendor and the Company shall jointly instruct and direct the auditors for the time being of the Fountain City Group to issue the auditors' certificate stating the amount of actual gross profits for the first period or as relevant, the second period before the date falling two months from the end of the first period or as relevant, the end of the second period.

The rights of the Company to exercise the put option shall be restricted to within one month from the date of the issuance of the auditors' certificate for the first period or as relevant, the second period (the "option period") and the right of the Company to exercise the put option shall lapse after expiration of the relevant option period.

The Vendor has acknowledged to the Company that the actual gross profits for the second period is less than HK\$30,000,000 and the Vendor and the Company agreed to waive the requirement for the issuance of the auditors' certificate. The put option was exercised by the Company on 28 December 2012.

The directors has served an option notice on the Vendor under the agreement stating its intention to exercise the put option and required the Vendor to purchase the option shares from the Company at the pre-agreed option exercise price of HK\$58,650,000.

Completion of the disposal will take place 180 days of the later of: (i) the Option Notice being received by the Vendor; or (ii) any regulatory authorisations, consents or approvals being obtained.

Completion of the disposal is conditional upon satisfaction of any regulatory authorisations, consents or approvals being obtained (including all regulatory authorisations under the GEM Listing Rules in relation to the disposal and the passing of all the necessary resolution(s) by the independent shareholders pursuant to the GEM Listing Rules.

8. Earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$5,462,000 (loss in 2012: HK\$15,222,000) and the weighted average of 65,647,000 (2012: 328,235,000) ordinary shares in issue during the period.

The diluted earnings/loss per share for the three months ended 31 March 2013 and 2012 is equal to the basic earnings/loss per share as the outstanding convertible bonds and share options were anti-dilutive.

9. Capital and reserves (Unaudited)

	Attribution to equity shareholders of the Company										
	Share capital	Share premium	Exchange reserve	Statutory reserve	Convertible bond reserve	Share option reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	16,412	574,663	553	53	11,742	3,064	(626)	(596,922)	8,939	344	9,283
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	(376)	(376)
Acquisition of subsidiary	-	-	-	-	-	-	-	(3)	(3)	(161)	(164)
Loss for the period	-	-	-	-	-	-	-	(15,222)	(15,222)	(1,607)	(16,829)
Currency translation difference	-	-	(8)	-	-	-	-	-	(8)	-	(8)
As at 31 March 2012	16,412	574,663	545	53	11,742	3,064	(626)	(612,147)	(6,294)	(1,800)	(8,094)
At 1 January 2013	32,824	578,677	748	53	11,742	1,187	44	(641,907)	(16,632)	(12,435)	(29,067)
Profit for the period	-	-	-	-	-	-	-	5,462	5,462	(953)	4,509
Currency translation difference	-	-	18	-	-	-	-	-	18	-	18
As at 31 March 2013	32,824	578,677	766	53	11,742	1,187	44	(636,445)	(11,152)	(13,388)	(24,540)

10. Share capital

	As at 31 March 2013		As at 31 December 2012	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares at HK\$0.50	200,000	100,000	200,000	100,000
Issued and fully paid:				
At 1 January	65,647	32,824	328,235	16,412
Issue of placing shares	-	-	65,647	3,282
Issued right shares	-	-	196,941	9,847
Issue of placing shares after share consolidation	-	-	6,565	3,283
Share consolidation	-	-	(531,741)	-
At end of period/year	65,647	32,824	65,647	32,824

11. Litigation

On 10 October 2012, a writ of summon (the “Writ”) was served on the Company. The Writ was issued on 21 September 2012 by Song Zizhang (the “Plaintiff”) against: Cheung Man Yau, Timothy as 1st defendant, Glorison Development Limited as 2nd defendant and the Company as 3rd defendant.

Pursuant to the Writ, the Plaintiff claims, among other things, against the Company for (i) a declaration that the Company do cause the transfer of all TLT Services (Shanghai) Limited’s shares (the “Shares”) to the Plaintiff; and (ii) an order that the Company do transfer or cause to transfer the Licence (the “Licenses”, defined in the statement of Claim indorsed to the Writ as to mean the two licenses for the purposes of permission to operate add-value mobile business and permission to use recharging and access code of short message services in China obtained by Shanghai Tang Road Communication Company Limited (whose name was later changed to TLT (Shanghai) Limited)).

The board of the directors of the Company is of the view that the Plaintiff’s claims against the Company under the Writ are unfounded and the Company has retained solicitors to defend the Plaintiff’s claims against the Company under the Writ.

It was stated in the Announcement that the Board was of the view that the Plaintiff’s claims against the Company under the Writ were unfounded.

On 13 December 2012, the Company has applied to the High Court to strike out the Plaintiff’s claim against the Company under the Writ and hearing of the application is scheduled on 22 May 2013.

Details of the transaction were published in the Company’s announcement dated 13 March 2013.

12. Acquisition of a subsidiary

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

13. Interim dividends

The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the three months ended 31 March 2013 (2012: Nil).

14. Events after reporting period

- (a) On 26 November 2012, the Group, through its wholly owned subsidiary, Fame Network Limited (“Fame Network”), entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Mass Apex Limited at a consideration of HK\$68 million. The consideration shall be settled by cash of HK\$9,200,000 and promissory note of HK\$58,800,000.

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

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

Pursuant to the terms of the Agreement dated 7 October 2010, the Purchaser and the Vendor, completion of putting back the Option Shares from the Purchaser to the Vendor shall take place within 180 days of the later of: (i) the Option Notice being received by the Vendor; or (ii) any regulatory authorisations, consents or approvals being obtained.

- (c) On 5 February 2013, the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Open Offer, on a fully underwritten basis. The Company proposes to raise not less than approximately HK\$65,600,000 and not more than approximately HK\$65,800,000 before expenses by issuing not less than 131,294,226 Offer Shares and not more than 131,635,698 Offer Shares at the Offer Price of HK\$0.50 per Offer Share on the basis of two Offer Shares for every one existing Share held on the Record Date and payable in full on acceptance.

On 8 April 2013, the ordinary resolution was duly passed by the Shareholders at the EGM by way of poll.

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

On 8 April 2013, the ordinary resolution was duly passed by the Shareholders at the EGM by way of poll.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The unaudited consolidated turnover of the Group for the three months ended 31 March 2013 was approximately HK\$7,135,000 representing a decrease of approximately 5.45% over the corresponding period in 2012.

The unaudited consolidated profit for the period recorded an amount of HK\$4,509,000 in the first quarter of 2013 as compared to a loss of HK\$16,829,000 for the corresponding period in 2012. The profit attributable to the shareholders of the Company was approximately HK\$5,462,000 in the first quarter of 2013 as compared to a loss of HK\$15,222,000 for the corresponding period in 2012. Earnings per share for the three months ended 31 March 2013 was HK8.32 cents as compared to loss per share of HK4.64 cents for the corresponding period in 2012.

Operational Review and Prospect

Taking into account of the unsatisfactory financial position and performance of the Group for the past year, the Group is actively exploring the availability of alternative source of funds to strengthen the working capital and the asset base of the Group.

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

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

The Group started trading in securities from mid-June 2012. The securities investments principally comprise securities from companies listed on the Stock Exchange. The securities investments will be held for short term trading purpose. The Group will keep focusing and balancing the risk and return from its investment and will closely monitor the performance of its investment portfolio. Furthermore, the Group will take corrective action to change its investment portfolio to minimize the risk and maximize the return when appropriate.

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

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

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

As at 31 March 2013, none of the Directors or chief executives of the Company had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 31 March 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEMES

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the “Old Scheme”) under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the Old Scheme). The Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

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

Details of the movements in the share options granted to various employees of the Group and exercised during the three months ended 31 March 2013 under the Old Scheme are as follows:

Name or category	Date of grant	Vesting period	Exercisable period	Subscription	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding
				price per share of the Company	as at 1 January 2013					as at 31 March 2013
<i>Other Employees</i>	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.40	28,456	-	-	-	-	28,456
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$17.90	142,280	-	-	-	-	142,280
<i>In aggregate</i>						170,736	-	-	-	170,736

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed under the sections “Share Option Schemes” and “Directors’ and chief executives’ interests and short position in the shares, underlying shares and debentures” above, at no time during the three months ended 31 March 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (“Model Code”). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings as set out in the Model Code throughout the period under review. The Company was not aware of any non-compliance during the three months ended 31 March 2013.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 March 2013, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying Shares held	Approximate percentage of total issued ordinary Shares
Convertible Notes:			
Mr. Fung Derek Yue Tak (Note)	Beneficial owner	56,160,000	85.55%

Note: Please refer to the section of “Convertible Notes” below for further details.

Save as disclosed above, as at 31 March 2013, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONVERTIBLE NOTES

On 28 March 2011, an aggregate principal amount of HK\$60,000,000 of the convertible notes was issued to Premier Capital Enterprises Limited at the conversion price of HK\$0.28 per conversion share with the maturity date falling on the second anniversary of the date of the issue of the convertible notes. On 3 August 2012, the resolution to transfer from Premier Capital Enterprises Limited to Mr. Fung Yue Tak Derek (“Noteholder”) was considered and approved by the Board.

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

On 1 March 2013, the Company and the Noteholder entered into the supplemental deed to further amend the conditions by adding three new events of default as per the amendments, including: (a) any change of the members of the Board without the prior written consent of the Noteholder; (b) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board; and (c) any bonds, debentures, notes or other instruments or indebtedness or any other loan indebtedness of or issued by the Company become or becomes prematurely repayable following a default in respect of the terms thereof, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such indebtedness at the maturity thereof.

At the EGM held on 28 March 2013, the resolution to propose change of conditions of convertible note was duly passed by the Shareholders as an ordinary resolution by way of poll. The maturity date of the outstanding Convertible Note with principal amount of HK\$28,080,000 will be extended for one year until 28 March 2014 and the Convertible Note shall bear interest on the outstanding principal amount at the rate of 2% per annum and the Conversion Price will be changed to HK\$0.50 for each Conversion Shares subject to customary adjustments for convertible securities of a similar type as more particularly set out in the Company’s circular dated 13 March 2013.

A maximum of 56,160,000 Conversion Shares will be allotted and issued under the Specific Mandate upon exercise of the conversion rights attached to the outstanding Conversion Note in full subject to the conversion restriction and public float restriction thereon as more particularly set out in the Company’s circular dated 13 March 2013.

Details of the above convertible notes have been published on the Company's announcements dated 15 February 2011, 23 March 2011, 28 March 2011, 20 October 2011, 8 January 2013, 29 January 2013, 22 February 2013, 1 March 2013, 8 March 2013, 11 March 2013 and 28 March 2013, respectively and the Company's circular dated 7 March 2011 and 13 March 2013.

ACQUISITION OF MASS APEX LIMITED

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2013.

COMPETING INTERESTS

During the three months ended 31 March 2013, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the “Audit Committee”) are the review and supervision of the Company’s financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Shu Yan (Chairman), Mr. Li Kwok Chu and Mr. Chiu Koon Shou.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the three months ended 31 March 2013.

By order of the Board

TLT Lottotainment Group Limited

Zhao Tuanjie

Chairman and Executive Director

Hong Kong, 10 May 2013

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

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