



# TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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## HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$17,304,000 (continuing operation: approximately HK\$17,116,000 and discontinued operation: approximately HK\$188,000) for the nine months ended 30 September 2013 (2012: approximately HK\$18,376,000, continuing operation: approximately HK\$18,376,000 and discontinued operation: approximately HK\$Nil), representing a decrease of approximately 6% as compared to corresponding period in 2012.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$19,525,000 for the nine months ended 30 September 2013 (loss in 2012: approximately HK\$48,964,000).
- Basic loss per share for continuing and discontinued operations for the nine months ended 30 September 2013 was approximately HK14.16 cents (2012: approximately HK14.09 cents) and loss per share for continuing operation was approximately HK12.29 cents (2012: approximately HK14.06 cents).
- The directors do not recommend the payment of any dividend for the nine months ended 30 September 2013 (2012: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

For the nine months ended 30 September 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 nine months and three months ended 30 September 2013 together with unaudited comparative figures for the corresponding periods in 2012 (the “Relevant Periods”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2013 HK\$'000	2012 HK\$'000 (Re-presented)	2013 HK\$'000	2012 HK\$'000 (Re-presented)
<b>TURNOVER</b>	2				
Continuing operations		17,116	18,376	3,088	5,488
Discontinued operations		188	–	–	–
		<b>17,304</b>	18,376	<b>3,088</b>	5,488
<b>COST OF SERVICES</b>		<b>(15,931)</b>	(16,748)	<b>(2,752)</b>	(4,691)
<b>GROSS PROFIT</b>		<b>1,373</b>	1,628	<b>336</b>	797
<b>OTHER INCOME AND GAIN</b>	2	<b>16,534</b>	262	<b>84</b>	24
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		<b>(26,512)</b>	(31,337)	<b>(7,674)</b>	(7,556)
<b>FINANCE COSTS</b>	4	<b>(14,538)</b>	(22,486)	<b>(2,731)</b>	(5,701)
<b>SHARE OF LOSSES OF ASSOCIATES</b>		–	(1,387)	–	–
<b>SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES</b>		–	(283)	–	–
<b>LOSS BEFORE TAXATION</b>	5				
Continuing operations		(18,085)	(53,505)	(8,334)	(12,421)
Discontinued operations		(5,058)	(98)	(1,651)	(15)
<b>TAXATION</b>	6	–	–	–	–

Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)
<b>LOSS FOR THE PERIOD</b>				
Continuing operations	<b>(18,085)</b>	(53,505)	<b>(8,334)</b>	(12,421)
Discontinued operations	<b>(5,058)</b>	(98)	<b>(1,651)</b>	(15)
	<b>(23,143)</b>	(53,603)	<b>(9,985)</b>	(12,436)
<b>ATTRIBUTABLE TO:</b>				
<b>EQUITY SHAREHOLDERS OF</b>				
<b>THE COMPANY</b>				
	<b>(19,525)</b>	(48,964)	<b>(8,987)</b>	(11,463)
<b>NON-CONTROLLING INTERESTS</b>				
	<b>(3,618)</b>	(4,639)	<b>(998)</b>	(973)
<b>LOSS FOR THE PERIOD</b>				
	<b>(23,143)</b>	(53,603)	<b>(9,985)</b>	(12,436)
<b>LOSS PER SHARE</b>				
	8			
For continuing and discontinued operations				
- BASIC	<b>(14.16 cents)</b>	(14.09 cents)	<b>(5.18 cents)</b>	(3.12 cents)
- DILUTED	<b>(14.16 cents)</b>	(14.09 cents)	<b>(5.18 cents)</b>	(3.12 cents)
For continuing operations				
- BASIC	<b>(12.29 cents)</b>	(14.06 cents)	<b>(4.70 cents)</b>	(3.12 cents)
- DILUTED	<b>(12.29 cents)</b>	(14.06 cents)	<b>(4.70 cents)</b>	(3.12 cents)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Nine months ended 30 September 2013		Unaudited Three months ended 30 September 2013	
	HK\$'000	2012 HK\$'000	HK\$'000	2012 HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(23,143)</b>	(53,603)	<b>(9,985)</b>	(12,436)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX</b>				
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	<b>59</b>	16	<b>(5)</b>	1
EXCHANGE RESERVE RELEASED UPON DISPOSAL OF DISCONTINUED OPERATIONS	-	58	-	58
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<b>59</b>	74	<b>(5)</b>	59
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(23,084)</b>	(53,529)	<b>(9,990)</b>	(12,377)
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	<b>(19,466)</b>	(48,890)	<b>(8,992)</b>	(11,404)
NON-CONTROLLING INTERESTS	<b>(3,618)</b>	(4,639)	<b>(998)</b>	(973)
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(23,084)</b>	(53,529)	<b>(9,990)</b>	(12,377)

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 (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies adopted in preparing the unaudited consolidated third quarterly 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 condensed consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The consolidated third quarterly results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

## 2. Turnover, other income and gain

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

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2013 HK\$'000	2012 HK\$'000 (Re-presented)	2013 HK\$'000	2012 HK\$'000 (Re-presented)
Turnover				
Continuing operations				
Revenue from travel agent services	<b>11,352</b>	12,252	<b>2,939</b>	4,431
Advertising and marketing services income	<b>5,479</b>	5,523	-	1,112
Profit/(Loss) on trading of equity investments at fair value through profit or loss	<b>285</b>	(9)	<b>149</b>	(58)
Discontinued operations				
Artist management income	<b>188</b>	213	-	3
Revenue of stage drama	-	397	-	-
<b>Sub-total</b>	<b>17,304</b>	18,376	<b>3,088</b>	5,488
Other income and gain				
Change in fair value of financial liabilities	<b>3,548</b>	-	-	-
Compensation sum (note)	<b>12,732</b>	-	-	-
Gain on disposal of property, plant and equipment	<b>34</b>	-	-	-
Gain on disposal of subsidiaries	-	12	-	12
Sundries	<b>86</b>	208	<b>81</b>	12
Interest income	<b>134</b>	42	<b>3</b>	-
<b>Sub-total</b>	<b>16,534</b>	262	<b>84</b>	24
<b>Total</b>	<b>33,838</b>	18,638	<b>3,172</b>	5,512

Note: The compensation sum represented the shortfall of guaranteed profit times multiplier of 7.4, 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.

### 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 nine months ended 30 September 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	11,352	5,479	285	188	-	17,304
Segment results	(338)	(2,773)	268	(5,058)	-	(7,901)
Unallocated items:						
Other income and gain						16,285
Operating and administrative expenses						(16,984)
Finance costs						(14,543)
Share of losses of associates						-
Share of losses of jointly controlled entities						-
Loss before taxation						(23,143)
Taxation						-
Loss for the period						(23,143)
Attributable to:						
Equity shareholders of the Company						(19,525)
Non-controlling interests						(3,618)
Loss for the period						(23,143)



### 3. Segmental information (Continued)

(ii) For the nine months ended 30 September 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	12,252	5,523	(9)	213	397	18,376
Segment results	(250)	271	(349)	(146)	(1,082)	(1,556)
Unallocated items:						
Other income and gain						262
Operating and administrative expenses						(28,153)
Finance costs						(22,486)
Share of losses of associates						(1,387)
Share of losses of jointly controlled entities						(283)
Loss before taxation						(53,603)
Taxation						-
Loss for the period						(53,603)
Attributable to:						
Equity shareholders of the Company						(48,964)
Non-controlling interests						(4,639)
Loss for the period						(53,603)

#### 4. Finance costs

	Unaudited		Unaudited	
	Nine months ended		Three months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	3,012	7,819	1,059	1,683
Interest on promissory notes	–	8,105	–	–
Interest on bank advances and other borrowings wholly repayable within five years	11,473	5,475	1,660	3,975
Interest on finance leases	9	56	2	16
Others	44	1,031	10	27
	<b>14,538</b>	22,486	<b>2,731</b>	5,701

#### 5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited		Unaudited	
	Nine months ended		Three months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of services	15,931	16,748	2,752	4,691
Amortisation of intangible assets	72	6,217	24	24
Depreciation	156	1,486	58	545
Fair value loss on equity investments through profit or loss	–	317	–	279
Loss on disposal of property, plant and equipment	–	58	–	58
Operating lease charges in respect of property rentals	647	2,718	229	821
Staff costs including directors' emoluments	3,525	8,557	991	2,420

## 6. Taxation

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

## 7. Discontinued operations

### *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 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.

### *Fountain City Group*

During the year ended 31 December 2012, pursuant to the agreement entered into 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.

## **7. Discontinued operations (Continued)**

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 auditor' 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 within 180 days of the later of: (i) the written notice serve by the Purchaser to the Vendor stating its intention to exercise the Put Option to require the Vendor to purchase the Option Shares and the time for completion of the sale and purchase of the Option share 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).

The resolution to approve the Disposal and exercise of the Put Option was duly passed by the Shareholders at the EGM held on 26 August 2013 by way of poll.

## **8. Loss per share**

The calculation of the basic loss per share is based on loss attributable to ordinary equity shareholders of the Company for the nine months and three months ended 30 September 2013 of approximately HK\$19,525,000 and HK\$8,987,000 respectively (2012: approximately HK\$48,964,000 and HK\$11,463,000 respectively) and the weighted average of 137,875,000 and 173,397,000 (2012: 347,594,000 and 367,338,000) ordinary shares respectively in issue during the period.

The diluted loss per share for the period is equal to the basic 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 HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Convertible bond reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	16,412	574,663	553	53	11,742	3,064	(626)	(596,922)	8,939	344	9,283
Total comprehensive income/(expenses) for the period	-	-	74	-	-	-	-	(48,964)	(48,890)	(4,639)	(53,529)
Issue of placing shares	3,282	4,014	-	-	-	-	-	-	7,296	-	7,296
Issue of right shares	9,847	-	-	-	-	-	-	-	9,847	-	9,847
Share option lapsed	-	-	-	-	-	(1,877)	-	1,877	-	-	-
Deemed contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	(376)	(376)
Acquisition of subsidiary	-	-	-	-	-	-	-	(3)	(3)	(161)	(164)
Disposal of subsidiaries	-	-	-	-	-	-	670	-	670	-	670
As at 30 September 2012	29,541	578,677	627	53	11,742	1,187	44	(644,012)	(22,141)	(4,832)	(26,973)
At 1 January 2013	<b>32,824</b>	<b>578,677</b>	<b>748</b>	<b>53</b>	<b>11,742</b>	<b>1,187</b>	<b>44</b>	<b>(641,907)</b>	<b>(16,632)</b>	<b>(12,435)</b>	<b>(29,067)</b>
Total comprehensive income/(expenses) for the period	-	-	59	-	-	-	-	(19,525)	(19,466)	(3,618)	(23,084)
Issue of placing shares	<b>6,555</b>	<b>1,311</b>	-	-	-	-	-	-	<b>7,866</b>	-	<b>7,866</b>
Issue of offer shares	<b>65,647</b>	-	-	-	-	-	-	-	<b>65,647</b>	-	<b>65,647</b>
As at 30 September 2013	<b>105,026</b>	<b>579,988</b>	<b>807</b>	<b>53</b>	<b>11,742</b>	<b>1,187</b>	<b>44</b>	<b>(661,432)</b>	<b>37,415</b>	<b>(16,053)</b>	<b>21,362</b>

## 10. Share capital

	As at 30 September 2013		As at 31 December 2012	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares at HK\$0.5 each	<b>2,000,000</b>	<b>1,000,000</b>	200,000	100,000
<b>Issued and fully paid:</b>				
At 1 January	<b>65,647</b>	<b>32,824</b>	328,235	16,412
Issue of placing shares	<b>13,110</b>	<b>6,555</b>	65,647	3,282
Issue of placing shares after share consolidation	-	-	6,565	3,283
Issue of right shares	-	-	196,941	9,847
Issue of offer shares	<b>131,294</b>	<b>65,647</b>	-	-
Share consolidation	-	-	(531,741)	-
At the end of period	<b>210,051</b>	<b>105,026</b>	65,647	32,824

## 11. Litigation

- (i) 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 to the Plaintiff; and (ii) an order that the Company do transfer or cause to transfer 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 on 22 May 2013 the Court has ordered upon the application of the Company that the Plaintiff's Claims against the Company under the Writ be struck out and that the Plaintiff shall pay the costs of the Company in the application on indemnity basis.

Details of the transaction were published in the Company's announcement dated 10 October 2012, 13 March 2013 and 22 May 2013.

- (ii) On 20 June 2013, a newspaper article reporting a writ of summons (the "Writ") has been filed with the High Court of Hong Kong Special Administrative Region whereas the Company is named as one of the defendants in the Writ for claiming a guaranteed reward for the sum of HK\$2,400,000.

On 24 June 2013, the Writ was served on the Company. The Writ was issued by Good Alliance Trading Limited (the "Plaintiff") against the Company as the 2nd Defendant, for the sum of HK\$2,400,000 and interest, as one of the guarantors under a guarantee in writing dated 14 December 2011 over the due and punctual performance and observance by Creative Works Limited ("Creative Works"), the 1st defendant, of all its obligations contained in a memorandum of agreement dated 14 December 2011 entered into between Creative Works and the Plaintiff (the "Agreement") whereby the Plaintiff has agreed to participate in the project of Creative Works relating to the performance of the stage drama "天龍八步" or "Born to be Hero" in Beijing by acquiring a 15% interest in the said project for the investment sum of HK\$2,000,000.

By a guarantee in writing dated 14 December 2011 (the "Guarantee") entered into by the Company, Chan Chui Man being the 3rd defendant, and Yeung Wai Bo being the 4th Defendant as guarantors, and the Plaintiff, the Company together with the other two guarantors have jointly and severally guaranteed the due and punctual performance and observance by Creative Works of all its obligations contained in the Agreement including the return of the investment sum of HK\$2,000,000 and payment of a guaranteed return of not less than HK\$400,000 as at the cut-off date of 31 March 2012. Creative Works was an indirect non-wholly owned subsidiary of the Company from 18 April 2011 until 28 December 2012.

## **11. Litigation (Continued)**

(ii) (Continued)

Reference is also made to the announcement of the Company dated 28 December 2012 relating to the early exercise by the Company of the put option to put back the entire issued share capital of Dragon Gain Worldwide Limited ("Dragon Gain") to their original vendors (the "Vendors") at the put option price of HK\$49,200,000. Dragon Gain is the holder of 51% of the entire issued share capital of Creative Works.

After extensive negotiation with the Plaintiff and Tang (the "Parties"). On 11 July 2013, the Parties entered into the settlement deed pursuant to which, among others, (i) the Company agrees to pay HK\$2,400,000 of all the Plaintiff's claims (the "Settlement Sum") against the Company under the Action and the Guarantee; (ii) The Plaintiff agrees that upon receipt of the first payment of Settlement Sum within 7 days, it shall withdraw and discontinue its claim against the Company under the Action and the Plaintiff and the Company shall instruct their respective solicitors to endorse and file a consent summons or consent order with the Court of First Instance of the High Court pursuant to the Rules of High Court to apply the Court for the Plaintiff to wholly discontinue its claims against the Company under the Action with no order as to cost; and (iii) Tang agrees to pay HK\$2,400,000 to the Company in satisfaction of its obligations under the Undertaking Letter signed on 28 December 2013.

Reference is also made to the announcement of the Company dated 18 October 2013 relating to the update of exercise of put option. The Company has not yet commenced legal proceedings against the Vendors to recover the overdue 4th and final installment payments in the aggregate of HK\$22,200,000 of the Put Option Price as the Vendors have approached the Company to offer to settle the outstanding balance of the Put Option Price by a revised payment schedule. The Company and the Vendors are still engaging in negotiation for a settlement on the payment of the outstanding balance of the Put Option Price and no concluded settlement has yet been reached.

Details of the transaction were published in the Company's announcement dated 20 June 2013, 11 July 2013, 18 July 2013, 23 July 2013, 1 August 2013 and 18 October 2013.

## **12. Interim dividend**

The Directors do not recommend any payment of dividend nor transfer of any amount to reserves for the nine months ended 30 September 2013 (2012: Nil).

## **13. Event after the reporting period**

(i) On 23 August 2013, the Company entered into the Underwriting Agreement with the Underwriters in relation to the underwriting and the relevant arrangements in respect of the proposed Open Offer.

The Company proposes to raise not less than approximately HK\$70.01 million, before expenses, by an open offer of not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares at a subscription price of HK\$0.50 per Offer Share, payable in full on application, on the basis of two Offer Shares for every three Shares held on Record Date with Bonus Issue of the basis of three Bonus Shares for every two Offer Shares taken up under the Open Offer, not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares will be issued to the first registered holders of the Offer Shares. The Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules.

Details refer to the Company's announcement dated 23 August 2013 and the Company's circular dated 18 October 2013.

### 13. Event after the reporting period (Continued)

- (ii) On 29 October 2013 (after trading hours), the Company and China Well Investments Reward Inc., an investment holding company incorporated in Vanuatu (the "Vendor A") and United Path Inc., an investment holding company incorporated in Vanuatu (the "Vendor B"), collectively (the "Vendors") entered into the Acquisition Agreement pursuant to which the Company agreed to acquire, and the Vendors agreed to sell, the Sale Shares and Sale Loan at an aggregate consideration of HK\$100,000,000.

Reference is also made to the Announcement dated 18 July 2013 in relation to the memorandum of understanding (the "MOU") of the above-mentioned acquisition.

The Consideration will be satisfied as to (i) HK\$30,000,000 by the issue and allotment of the 60,000,000 Consideration Shares by the Company at the issue price of HK\$0.50 per Share to the Vendors upon Completion; and (ii) HK\$70,000,000 by the issue of the Convertible Bonds at an initial conversion price of HK\$0.50 per Conversion Share (subject to adjustment) to the Vendors upon Completion.

Grace Profit Corporations Limited (the "Target Company") is an investment holding company incorporated in Hong Kong on 2 November 2012 with limited liability and is wholly-owned by the Vendors. Apart from its 100% shareholding interest in the PRC Company, the Target Company does not have any business operations. The PRC Company is a company incorporated in the PRC on 11 April 2013. The PRC Company has a registered capital of HK\$1,500,000 and it is a wholly-owned subsidiary of the Target Company. The PRC Company is principally engaged in fashion wholesale, distribution and trading. The PRC Company holds an exclusive right to procure and sell the "HIWI" brand of kids clothing within the southern area from Changjiang River of Mainland China. The "HIWI" brand is a kids clothing brand name in the PRC, focus on manufacturing and sales of kids clothing which the PRC Company has the right to use the "HIWI" brand. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company and the PRC Company will be consolidated into the financial statements of the Group.

Shareholders and investors should note that Completion is subject to various conditions as stated in the section headed "Conditions Precedent" of the Company's announcement dated 29 October 2013. The Acquisition Agreement and the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and investors are therefore urged to exercise caution when dealing in the Shares.

Details refer to the Company's announcement dated 18 July 2013 and 29 October 2013.



**13. Event after the reporting period (Continued)**

- (iii) On 6 November 2013, (after trading hours) the Company and Able Step Holding Inc., (the "Prospective Vendor") a company incorporated in Vanuatu with limited liability entered into another MOU in relation to the proposed acquisition of the entire issued share capital of Create Fortune Global Limited (the "Target Company"), a company incorporated in the British Virgin Islands with limited liability.

The Target Company and Artistic Entertainment (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company, are engaged in the business of artist management, marketing and promotional activities.

The MOU does not create legally binding obligations on the parties in relation to the Proposed Acquisition but is legally binding as to exclusivity period which is of three months commencing on the date of the MOU, within the period, save and except to the Company, the Prospective Vendor will not solicit, initiate, or encourage submission of proposals or offers from any person for the purchase of the Sale Shares.

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.

Details refer to the Company's announcement dated 6 November 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### *Turnover*

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2013 was approximately HK\$17,304,000 (2012: approximately HK\$18,376,000) representing a decrease of 6% over the corresponding period in 2012.

#### *Gross profit*

The gross profit for the nine months ended 30 September 2013 was approximately HK\$1,373,000 (2012: approximately HK\$1,628,000).

#### *Loss attributable to equity shareholders*

The loss attributable to equity shareholders of the Company was approximately HK\$19,525,000 for the nine months ended 30 September 2013 (2012: approximately HK\$48,964,000).

#### *Basic loss per share*

For the nine months ended 30 September 2013, basic loss per share was approximately HK14.16 cents (2012: approximately HK14.09 cents).

#### *Loan Facility*

The outstanding principal amount of the Loan Facility amounts to HK\$32,000,000. On 30 September 2013, the Company and Mr. Chan Wing Chiu have entered into a supplemental loan agreement pursuant to which the parties agreed that the repayment date of the outstanding principal amount of the Loan Facility and the interest accrued thereon have been extended to 31 December 2013 or the completion date of the proposed open offer as disclosed in the announcement of the Company dated 23 August 2013, whichever is earlier. Details refer to the Company's announcement dated 30 September 2013.

### **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 for travel, 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.

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 was duly passed by Shareholders at EGM held on 26 August 2013 by way of poll.

#### *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 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. Unless otherwise stated, capitalised terms used in this section shall have the same meanings as defined in the announcement of the Company dated 26 November 2012.

Under the Sale and Purchase Agreement, Completion will take place on the Completion Date, being the third Business Days after all the conditions precedent of the Sale and Purchase Agreement, as more particularly described in the announcement of the Company dated 4 December 2012, have been fulfilled or such other date as the Vendor and the Purchaser may agree in writing. In the event the conditions precedent are not fulfilled before the Long Stop Date or the Vendor and the Purchaser have not reached any agreement in writing to extend the Long Stop Date, the Sale and Purchase Agreement shall be terminated and the Vendor and the Purchaser shall have no further obligations under the Sale and Purchase Agreement save as to any rights on any antecedent breach of the Sale and Purchase Agreement. The Deposit shall be refunded, without any interest, to the Purchaser on demand within 5 Business Days after the Long Stop Date if any of the conditions precedent is not fulfilled on or before the Long Stop Date, or such earlier date on which the Purchaser believes acting reasonably that one or more of the conditions precedent will not be capable of fulfilment on or before the Long Stop Date.

As stated in the announcement of the Company dated 25 March 2013, the Vendor and the Purchaser entered into a letter of confirmation on 25 March 2013 whereas the Long Stop Date in the Sale and Purchase Agreement was extended for a further two months from 25 March 2013 to 24 May 2013.

As stated in the announcement of the Company dated 8 May 2013, the Board announced that on 8 May 2013, the Vendor and the Purchaser entered into a letter of confirmation whereas the Long Stop Date in the Sale and Purchase Agreement was extended for a further 45 days from 24 May 2013 to 8 July 2013. As stated in the announcement of the Company dated 7 June 2013, the despatch date of the Circular will be postponed to a date on or before 8 July 2013.

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 Shareholders as a whole.

Under the Sale and Purchase Agreement, the Vendor shall refund the sum of HK\$2,000,000, being the Deposit paid by the Purchaser to the Vendor, to the Purchaser within five Business Days after the Long Stop Date. The Vendor has informed the Company that he may be unable to refund the Deposit in due course and has requested for indulgence to postpone thereof until 2 August 2013.

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 of the Acquisition, Fame Network Limited, a wholly owned subsidiary of the Company, has commenced legal action against the Vendor at the Court of First Instance in the High Court of the Hong Kong Special Administrative Region on 30 October 2013 to claim for return of the Deposit in the sum of HK\$2,000,000 and interest.

Details of the transaction were published in the Company's announcement dated 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 and 30 October 2013.

#### *Proposed Open Offer*

On 23 August 2013, the Company entered into the Underwriting Agreement with the Underwriters in relation to the underwriting and the relevant arrangements in respect of the proposed Open Offer.

The Company proposes to raise not less than approximately HK\$70.01 million, before expenses, by an open offer of not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares at a subscription price of HK\$0.50 per Offer Share, payable in full on application, on the basis of two Offer Shares for every three Shares held on Record Date with Bonus Issue of the basis of three Bonus Shares

for every two Offer Shares taken up under the Open Offer, not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares will be issued to the first registered holders of the Offer Shares. The Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules.

Details refer to the Company's announcement dated 23 August 2013 and the Company's circular dated 18 October 2013.

#### *Major Transaction in relation to Acquisition*

On 29 October 2013 (after trading hours), the Company and China Well Investments Reward Inc., an investment holding company incorporated in Vanuatu (the "Vendor A") and United Path Inc., an investment holding company incorporated in Vanuatu (the "Vendor B"), collectively (the "Vendors") entered into the Acquisition Agreement pursuant to which the Company agreed to acquire, and the Vendors agreed to sell, the Sale Shares and Sale Loan at an aggregate consideration of HK\$100,000,000.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Lin Rong Zhen being the beneficially owner of Vendor A, personally holds 5.08% of the Company's Shares before the Acquisition, and Vendor B and their associates (as defined under the GEM Listing Rules) do not hold any Shares and no Shareholder is required to abstain from voting at the EGM.

Reference is also made to the Announcement dated 18 July 2013 in relation to the memorandum of understanding (the "MOU") of the above-mentioned acquisition.

The Consideration will be satisfied as to (i) HK\$30,000,000 by the issue and allotment of the 60,000,000 Consideration Shares by the Company at the issue price of HK\$0.50 per Share to the Vendors upon Completion; and (ii) HK\$70,000,000 by the issue of the Convertible Bonds at an initial conversion price of HK\$0.50 per Conversion Share (subject to adjustment) to the Vendors upon Completion.

Grace Profit Corporations Limited (the "Target Company") is an investment holding company incorporated in Hong Kong on 2 November 2012 with limited liability and is wholly-owned by the Vendors. Apart from its 100% shareholding interest in the PRC Company, the Target Company does not have any business operations. The PRC Company is a company incorporated in the PRC on 11 April 2013. The PRC Company has a registered capital of HK\$1,500,000 and it is a wholly-owned subsidiary of the Target Company. The PRC Company is principally engaged in fashion wholesale, distribution and trading. The PRC Company holds an exclusive right to procure and sell the "HIWI" brand of kids clothing within the southern area from Changjiang River of Mainland China. The "HIWI" brand is a kids clothing brand name in the PRC, focus on manufacturing and sales of kids clothing which the PRC Company has the right to use the "HIWI" brand. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company and the PRC Company will be consolidated into the financial statements of the Group.

Shareholders and investors should note that Completion is subject to various conditions as stated in the section headed "Conditions Precedent" of the Company's announcement dated 29 October 2013. The Acquisition Agreement and the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and investors are therefore urged to exercise caution when dealing in the Shares.

Details refer to the Company's announcement dated 18 July 2013 and 29 October 2013.

*The MOU in relation to a proposed Acquisition*

On 6 November 2013, (after trading hours) the Company and Able Step Holding Inc., (the "Prospective Vendor") a company incorporated in Vanuatu with limited liability entered into another MOU in relation to the proposed acquisition of the entire issued share capital of Create Fortune Global Limited (the "Target Company"), a company incorporated in the British Virgin Islands with limited liability.

The Target Company and Artistic Entertainment (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company, collectively (the "Target Group"), are engaged in the business of artist management, marketing and promotional activities.

Subject to the satisfaction of due diligence result on the Target Group, the Company will consider further negotiation with the Prospective Vendor on the Proposed Acquisition.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Prospective Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

The MOU does not create legally binding obligations on the parties in relation to the Proposed Acquisition but is legally binding as to exclusivity period which is of three months commencing on the date of the MOU, within the period, save and except to the Company, the Prospective Vendor will not solicit, initiate, or encourage submission of proposals or offers from any person for the purchase of the Sale Shares.

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.

Details refer to the Company's announcement dated 6 November 2013.

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 30 September 2013, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 30 September 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 of the Company. The Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

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

Details of the movements in the share options granted to employees of the Group during the nine months ended 30 September 2013 under the Old Scheme are as follows:

Name or category	Date of grant	Vesting period	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 September 2013
Employees	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$37.80*	28,456	-	-	-	-	24,390*
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$20.88*	142,280	-	-	-	-	121,948*
<b>In aggregate</b>					170,736	-	-	-	-	146,338*

\* The Company has made adjustments to the exercise price and the outstanding share options upon the completion of the open offer on 14 May 2013. Adjustments have been made as to the exercise price from HK\$32.40 to HK\$37.80 and from HK\$17.90 to HK\$20.88 per Share and the number of Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options from 28,456 Shares to 24,390 Shares and from 142,280 Shares to 121,948 Shares respectively. The details have been published on the Company's announcement dated 14 May 2013.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Schemes" and "Directors' and chief executives' interests and short position in the shares, underlying shares and debentures" above, at no time during the nine months ended 30 September 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 nine months ended 30 September 2013.



## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 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 Positions in shares and underlying shares of the Company

Name of substantial shareholders	Capacity and nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate percentage of the Company's issued share capital
Mr. Chong Chin	Beneficial Owner	17,180,000	0	17,180,000	8.18%
Mr. Chan Wing Chiu	Beneficial Owner	0	56,160,000 (Note)	56,160,000	26.74%
Mr. Lin Rong Zhen	Beneficial Owner	10,681,000	0	10,681,000	5.08%

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

Save as disclosed above, as at 30 September 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 Convertible 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.

On 30 September 2013, Mr. Chan Wing Chiu acquired all the outstanding Convertible Note from the Noteholder.

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.

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

During the nine months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **COMPETING INTERESTS**

During the nine months ended 30 September 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 Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Shu Yan (Chairman), Ms. Lam Yuk Ying, Elsa and Mr. Chiu Koon Shou.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the nine months ended 30 September 2013.

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

Hong Kong, 11 November 2013

*As of the date hereof, the executive Directors are Mr. Wu Wenbei, Ms. Lin Yan Jenny, Mr. Wong Chun Hung, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; and the independent non-executive Directors are Mr. Chiu Koon Shou, Mr. Lau Shu Yan and Ms. Lam Yuk Ying, Elsa.*