



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 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the directors of TLT LOTTOTAINMENT GROUP LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company (the “Director(s)”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this announcement misleading.

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$7,546,000 (continuing operation: approximately HK\$7,546,000 and discontinued operation: HK\$Nil) for the three months ended 31 March 2012 (2011: approximately HK\$7,281,000, continuing operation: approximately HK\$7,129,000 and discontinued operation: approximately HK\$152,000), representing an increase of approximately 3.64% as compared to the corresponding period in 2011.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$15,222,000 for the three months ended 31 March 2012 (2011: approximately HK\$4,948,000).
- Basic loss per share for continuing and discontinued operations for the three months ended 31 March 2012 was approximately HK4.64 cents (2011: approximately HK0.53 cents) and loss per share for continuing operation was approximately HK4.64 cents (2011: approximately HK0.47 cents).
- The directors do not recommend the payment of any dividend for the three months ended 31 March 2012 (2011: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 31 March 2012

The board (the “Board”) of directors (the “Directors”) of TLT Lottotainment Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2012 together with the unaudited comparative figures for the corresponding period in 2011 (the “Relevant Period”) as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 March	
	Notes	2012 HK\$'000	2011 HK\$'000
TURNOVER	2		
CONTINUING OPERATIONS		7,546	7,129
DISCONTINUED OPERATIONS		—	152
		<u>7,546</u>	<u>7,281</u>
COST OF SERVICES		<u>(7,085)</u>	<u>(6,694)</u>
GROSS PROFIT		461	587
OTHER INCOME AND GAIN	2	44	7,945
OPERATING AND ADMINISTRATIVE EXPENSES		(10,695)	(9,205)
FINANCE COSTS	4	(5,130)	(6,416)
SHARE OF LOSSES OF ASSOCIATES		(1,368)	—
SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES		<u>(141)</u>	<u>—</u>
LOSS BEFORE TAXATION	5		
CONTINUING OPERATIONS		(16,829)	(6,033)
DISCONTINUED OPERATIONS		—	(1,056)
TAXATION	6	<u>—</u>	<u>6</u>
LOSS FOR THE PERIOD			
CONTINUING OPERATIONS		(16,829)	(6,033)
DISCONTINUED OPERATIONS		<u>—</u>	<u>(1,050)</u>
		<u>(16,829)</u>	<u>(7,083)</u>
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		(15,222)	(4,948)
NON-CONTROLLING INTERESTS		<u>(1,607)</u>	<u>(2,135)</u>
LOSS FOR THE PERIOD		<u>(16,829)</u>	<u>(7,083)</u>
LOSS PER SHARE	8		
FOR CONTINUING AND DISCONTINUED OPERATIONS			
— BASIC		<u>(4.64 cents)</u>	<u>(0.53 cents)</u>
— DILUTED		<u>(4.64 cents)</u>	<u>(0.53 cents)</u>
FOR CONTINUING OPERATIONS			
— BASIC		<u>(4.64 cents)</u>	<u>(0.47 cents)</u>
— DILUTED		<u>(4.64 cents)</u>	<u>(0.47 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(16,829)	(7,083)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	<u>(8)</u>	<u>(202)</u>
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD	<u>(8)</u>	<u>(202)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	<u>(16,837)</u>	<u>(7,285)</u>
ATTRIBUTABLE TO:		
EQUITY SHAREHOLDERS OF THE COMPANY	(15,230)	(5,049)
NON-CONTROLLING INTERESTS	<u>(1,607)</u>	<u>(2,236)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	<u>(16,837)</u>	<u>(7,285)</u>

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 2011.

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

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

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

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

2. TURNOVER, OTHER INCOME AND GAIN

The Group is engaged in the provision of travel agent services, artist management services, advertising and marketing services and operation of stage drama. The Group ceased the business of provision of lottery-based mobile on-line game recharging services following the disposal of the subsidiaries on 4 April 2011 as set out in note 7. Revenue recognized during the Relevant Period is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Continuing operations		
Artist management income	49	280
Revenue from travel agent services	4,075	6,849
Revenue from stage drama	397	—
Advertising and marketing services income	3,025	—
Discontinued operations		
Mobile recharging services income	—	152
Sub-total	<u>7,546</u>	<u>7,281</u>
Other income and gain		
Gain on restructuring of promissory notes	—	7,821
Sundries	2	124
Interest income	<u>42</u>	<u>—</u>
Sub-total	<u>44</u>	<u>7,945</u>
Total	<u><u>7,590</u></u>	<u><u>15,226</u></u>

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 2012 (Unaudited)

	Continuing operations				Discontinued operations	Total HK\$'000
	Travel agent services (the PRC) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Mobile lottery on-line recharging services (the PRC) HK\$'000	
Turnover	<u>4,075</u>	<u>49</u>	<u>397</u>	<u>3,025</u>	<u>—</u>	<u>7,546</u>
Segment results	<u>(132)</u>	<u>(1,957)</u>	<u>(1,066)</u>	<u>231</u>	<u>—</u>	<u>(2,924)</u>
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						<u>(141)</u>
Loss before taxation						(16,829)
Taxation						<u>—</u>
Loss for the period						<u><u>(16,829)</u></u>
Attributable to:						
Equity shareholders of the Company						(15,222)
Non-controlling interests						<u>(1,607)</u>
Loss for the period						<u><u>(16,829)</u></u>

(ii) For the three months ended 31 March 2011 (Unaudited)

	Continuing operations				Discontinued operations	Total HK\$'000
	Travel agent services (the PRC) HK\$'000	Entertainment (Hong Kong) HK\$'000	Stage drama (the PRC) HK\$'000	Advertising and marketing services (Hong Kong) HK\$'000	Mobile lottery on-line recharging services (the PRC) HK\$'000	
Turnover	6,849	280	—	—	152	7,281
Segment results	(238)	(2,767)	—	—	(987)	(3,992)
Unallocated items:						
Other income and gain						7,945
Operating and administrative expenses						(4,626)
Finance costs						(6,416)
Share of losses of associates						—
Share of losses of jointly controlled entities						—
Loss before taxation						(7,089)
Taxation						6
Loss for the period						(7,083)
Attributable to:						
Equity shareholders of the Company						(4,948)
Non-controlling interests						(2,135)
Loss for the period						(7,083)

4. FINANCE COSTS

	Unaudited Three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Interest on convertible bonds	817	—
Interest on promissory notes	3,297	6,407
Interest on finance lease	22	—
Others	994	9
	<u>5,130</u>	<u>6,416</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Unaudited	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Cost of services	7,085	6,694
Amortisation of intangible assets	3,097	48
Depreciation	164	475
Operating lease charges in respect of property rentals	982	1,143
Staff costs including directors' emoluments	<u>3,425</u>	<u>3,858</u>

6. TAXATION

Taxation represents:

	Unaudited	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Deferred tax	<u>—</u>	<u>(6)</u>
	<u>—</u>	<u>(6)</u>

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

7. DISCONTINUED OPERATIONS

On 30 March 2011, Mega Field International Limited ("Mega Field"), a wholly-owned subsidiary of the Company, the Company (as guarantor of Mega Field) and Mr. Au Chi Kong ("Mr. Au"), an independent third party, entered into the disposal agreement pursuant to which Mr. Au agreed to purchase and Mega Field agreed to sell the 1,300 ordinary shares of US\$1.00 par value each in the issued share capital of Wisdom In Holdings Limited (the "Disposed Company") and the loan due from the Disposed Company to Mega Field for an aggregate consideration of HK\$2,300,000.

The Disposed Company was a 65% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of lottery-based mobile online game recharging service.

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

The completion of the disposal took place on 4 April 2011.

Details of the transaction were published in the Company's announcements dated 30 March 2011 and 4 April 2011.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$15,222,000 (2011: HK\$4,948,000) and the weighted average of 328,235,000 (2011: 930,380,000) ordinary shares in issue during the period.

The diluted loss per share for the three months ended 31 March 2012 and 2011 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								Non-controlling interests	Total equity	
	Share capital	Share premium	Exchange reserve	Statutory reserve	Convertible bond reserve	Share option reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011	7,964	376,330	(3,915)	53	—	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)
Issuing of placing shares	1,580	46,027	—	—	—	—	—	—	47,607	—	47,607
Issuance of convertible bonds	—	—	—	—	12,626	—	—	—	12,626	—	12,626
Deemed contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	6,088	6,088
Loss for the period	—	—	—	—	—	—	—	(4,948)	(4,948)	(2,135)	(7,083)
Currency translation difference	—	—	(101)	—	—	—	—	—	(101)	(101)	(202)
As at 31 March 2011	<u>9,544</u>	<u>422,357</u>	<u>(4,016)</u>	<u>53</u>	<u>12,626</u>	<u>4,166</u>	<u>44</u>	<u>(534,094)</u>	<u>(89,320)</u>	<u>(17,195)</u>	<u>(106,515)</u>
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	<u>16,412</u>	<u>574,663</u>	<u>545</u>	<u>53</u>	<u>11,742</u>	<u>3,064</u>	<u>(626)</u>	<u>(612,147)</u>	<u>(6,294)</u>	<u>(1,800)</u>	<u>(8,094)</u>

10. SHARE CAPITAL

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

11. 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.

12. 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 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The unaudited consolidated turnover of the Group for the three months ended 31 March 2012 was approximately HK\$7,546,000 representing an increase of approximately 3.64% over the corresponding period in 2011.

The unaudited consolidated loss for the period recorded an amount of HK\$16,829,000 in the first quarter of 2012 as compared to a loss of HK\$7,083,000 for the corresponding period in 2011. The loss attributable to the shareholders of the Company was approximately HK\$15,222,000 in the first quarter of 2012 as compared to a loss of HK\$4,948,000 for the corresponding period in 2011. Loss per share for the three months ended 31 March 2012 was HK4.64 cents as compared to loss per share of HK0.53 cents for the corresponding period in 2011.

Operational Review and Prospect

During the period under review, the Group continues to focus in developing the cultural, media and entertainment business. In order to strengthen the entertainment line, the Group acquired a company which is engaged in product advertising and promotion, marketing agency and planning, function organization and media project services. The Company considers that the acquisition can provide a synergy effect to the existing business which included provision of cross-selling and marketing platform for the Group's artist management, training school and stage drama business and provision of resource for brand building of the Group's entertainment business.

The entertainment business is in high-pace development and the capital investment in the artists training school is already completed. The official school license of the Macau talent academy is in the final stage of approval. It is expected that enrollment of the training courses will commence in the third quarter of 2012.

The travel industry is still very competitive in the PRC during the period under review. The Group has to face a difficult environment particularly the inflation and the continuous growth in the operating costs. As the annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for the PRC citizens, it is optimistic in the business growth of the travel agency operation.

In general, the Group is working diligently in building a good foundation and engineering the company of the Group to add value to each other in the cultural, media and entertainment business.

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

As at 31 March 2012, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Director	Capacity/nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Approximate of aggregate percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Beneficial Owner	—	1,300,000 (Note)	0.40%
Mr. Chan Kin Yip (resigned on 10 March 2012)	Beneficial Owner	—	1,000,000 (Note)	0.30%
Mr. Sung Wai Tak, Herman (resigned on 20 April 2012)	Beneficial Owner	—	100,000 (Note)	0.03%
Mr. Wong Lit Chor, Alexis (resigned on 16 March 2012)	Beneficial Owner	—	100,000 (Note)	0.03%
Mr. Fung Wai Shing	Beneficial Owner	—	100,000 (Note)	0.03%

Note: The share options of the Company have been granted to Directors and employees on 29 June 2009 and/or 4 June 2010 and outstanding as at 31 March 2012.

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

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEMES

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the “Old Scheme”) under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares 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 Directors and employees of the Group and exercised during the three months ended 31 March 2012 under the Old Scheme are as follows:

Name or category	Date of grant	Vesting period	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 March 2012
Directors										
Mr. Cheung Man Yau, Timothy	04/06/2010	—	04/06/2010 to 03/06/2020	HK\$1.7*	1,300,000*	—	—	—	—	1,300,000*
Mr. Chan Kin Yip (resigned on 10 March 2012)	29/06/2009	—	29/06/2009 to 28/06/2019	HK\$3.07*	600,000*	—	—	—	—	600,000*
	04/06/2010	—	04/06/2010 to 03/06/2020	HK\$1.7*	400,000*	—	—	—	—	400,000*
Mr. Sung Wai Tak, Herman (resigned on 20 April 2012)	29/06/2009	—	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	—	—	—	—	100,000*
Mr. Wong Lit Chor, Alexis (resigned on 16 March 2012)	29/06/2009	—	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	—	—	—	—	100,000*
Mr. Fung Wai Shing	29/06/2009	—	29/06/2009 to 28/06/2019	HK\$3.07*	100,000*	—	—	—	—	100,000*
Other Employees										
	29/06/2009	—	29/06/2009 to 28/06/2019	HK\$3.07*	300,000*	—	—	—	—	300,000*
	04/06/2010	—	04/06/2010 to 03/06/2020	HK\$1.7*	1,700,000*	—	—	—	—	1,700,000*
In aggregate					<u>4,600,000*</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,600,000*</u>

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option schemes referred to above, at no time during the three months ended 31 March 2012 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of the 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

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. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the three months ended 31 March 2012.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 March 2012, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity and nature of interests	Number of ordinary shares and underlying shares held	Percentage of the Company's issued share capital
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	50,351,800	15.34%
Mr. Lam Ho Laam	Interest of Corporation Controlled	20,816,342 (Notes 1 and 2)	6.34%
Premier Capital Enterprises Limited	Beneficial Owner	20,816,342 (Notes 1 and 2)	6.34%

Notes:

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

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

Save as disclosed above, as at 31 March 2012, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONVERTIBLE NOTES

On 28 March 2011, an aggregate principal amount of HK\$60,000,000 of the convertible 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. As at 31 March 2012, an aggregate principal amount of HK\$28,080,000 convertible notes was outstanding.

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

On 28 October 2011, an aggregate principal amount of HK\$50,000,000 of the convertible bonds was issued to Sun Finance Co., Ltd. at the conversion price of HK\$0.30 per conversion share with the maturity date falling on the sixth month of the date of the issue of the convertible bonds or, at the discretion of the Company, extend the maturity date falling twelve months from the issue date. On 27 April 2012, the conversion price per conversion share was changed from HK\$0.30 per conversion share to HK\$0.2047 per conversion share and the maturity date of the convertible bonds was extended from 28 April 2012 to 28 October 2012. As at 31 March 2012, there is no conversion share has been issued as at the date of this announcement.

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

ACQUISITION OF CREATIVE STAR LIMITED

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited ("Creative Star"). The total consideration paid for the acquisition of Creative Star was HK\$20,000,000. The acquisition, which constituted as a major transaction under the GEM Listing Rules, was completed on 28 February 2012. Creative Star become a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited (“Hong Kong Marketing”). Hong Kong Marketing is incorporated in Hong Kong with limited liability and engaged in product advertising and promotion, marketing agency and planning, function organization and media project services.

Details of the transaction were disclosed in the Company’s announcements dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 2012.

COMPETING INTERESTS

As at 31 March 2012, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the “Audit Committee”) are the review and supervision of the 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. Fung Wai Shing (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 2012.

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

Hong Kong, 14 May 2012

As of the date hereof, the executive Directors are Ms. Yip Man Yi, Mr. Cheung Man Yau, Timothy, Mr. Lee Chi Shing Caesar, Ms. Cheng Sze Man, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; the independent non-executive Directors are Mr. Fung Wai Shing, Mr. Li Kwok Chu and Mr. Chiu Koon Shou.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at <http://www.lottotainment.com.hk>.