



**TLT** LOTTOTAINMENT GROUP LIMITED

**彩娛集團有限公司**

(Incorporated in Hong Kong with limited liability)

Stock Code : 8022



Third Quarterly Report

**2014**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 (the “GEM Listing Rules”) 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 report 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 report misleading.*



## HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$24,049,000 (continuing operation: approximately HK\$22,842,000 and discontinued operation: approximately HK\$1,207,000) for the nine months ended 30 September 2014 (2013: approximately HK\$17,304,000, continuing operation: approximately HK\$17,116,000 and discontinued operation: approximately HK\$188,000), representing an increase of approximately 39% as compared to corresponding period in 2013.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$13,157,000 for the nine months ended 30 September 2014 (loss in 2013: approximately HK\$19,525,000).
- Basic loss per share for continuing and discontinued operations for the nine months ended 30 September 2014 was approximately HK2.35 cents (2013: approximately HK14.16 cents) and loss per share for continuing operation was approximately HK2.13 cents (2013: approximately HK12.29 cents).
- The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the nine months ended 30 September 2014 (2013: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

For the nine months ended 30 September 2014

The board of Directors (the “Board”) of 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 2014 together with the unaudited comparative figures for the corresponding periods in 2013 (the “Relevant Periods”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>	2				
Continuing operations		<b>22,842</b>	17,116	<b>9,707</b>	3,088
Discontinued operations		<b>1,207</b>	188	<b>401</b>	–
		<b>24,049</b>	17,304	<b>10,108</b>	3,088
<b>COST OF SERVICES</b>		<b>(21,088)</b>	(15,931)	<b>(9,342)</b>	(2,752)
<b>GROSS PROFIT</b>		<b>2,961</b>	1,373	<b>766</b>	336
<b>OTHER INCOME AND GAIN</b>	2	<b>681</b>	16,534	<b>607</b>	84
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		<b>(15,604)</b>	(26,512)	<b>(4,511)</b>	(7,674)
<b>FINANCE COSTS</b>	4	<b>(2,842)</b>	(14,538)	<b>(1,267)</b>	(2,731)
<b>LOSS BEFORE TAXATION</b>	5				
Continuing operations		<b>(12,578)</b>	(18,085)	<b>(4,003)</b>	(8,334)
Discontinued operations		<b>(2,226)</b>	(5,058)	<b>(402)</b>	(1,651)
<b>TAXATION</b>	6	–	–	–	–

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>					
Continuing operations		<b>(12,578)</b>	(18,085)	<b>(4,003)</b>	(8,334)
Discontinued operations		<b>(2,226)</b>	(5,058)	<b>(402)</b>	(1,651)
		<b>(14,804)</b>	(23,143)	<b>(4,405)</b>	(9,985)
<b>ATTRIBUTABLE TO:</b>					
<b>EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>(13,157)</b>	(19,525)	<b>(3,962)</b>	(8,987)
<b>NON-CONTROLLING INTERESTS</b>		<b>(1,647)</b>	(3,618)	<b>(443)</b>	(998)
<b>LOSS FOR THE PERIOD</b>		<b>(14,804)</b>	(23,143)	<b>(4,405)</b>	(9,985)
<b>LOSS PER SHARE</b>	8				
For continuing and discontinued operations					
– BASIC		<b>(2.35 cents)</b>	(14.16 cents)	<b>(0.71 cents)</b>	(5.18 cents)
– DILUTED		<b>(2.35 cents)</b>	(14.16 cents)	<b>(0.71 cents)</b>	(5.18 cents)
For continuing operations					
– BASIC		<b>(2.13 cents)</b>	(12.29 cents)	<b>(0.65 cents)</b>	(4.70 cents)
– DILUTED		<b>(2.13 cents)</b>	(12.29 cents)	<b>(0.65 cents)</b>	(4.70 cents)



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(14,804)</b>	(23,143)	<b>(4,405)</b>	(9,985)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX</b>				
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	(1)	59	1	(5)
EXCHANGE RESERVE RELEASED UPON DISPOSAL OF DISCONTINUED OPERATIONS	-	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(1)	59	1	(5)
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(14,805)</b>	(23,084)	<b>(4,404)</b>	(9,990)
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	(13,158)	(19,466)	(3,961)	(8,992)
NON-CONTROLLING INTERESTS	(1,647)	(3,618)	(443)	(998)
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(14,805)</b>	(23,084)	<b>(4,404)</b>	(9,990)



Notes:

**1. Basis of preparation and principal accounting policies**

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), 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 GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated third quarterly results are consistent with those adopted in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2013.

The results of subsidiaries acquired or disposed of during the period are included in the condensed consolidated statement of profit or loss 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 unaudited condensed consolidated third quarterly financial statements of the Group 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. On 28 December 2012, the Company exercised the put option and the discontinued operations for the 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	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Continuing operations				
Revenue from travel agent services	<b>18,909</b>	11,352	<b>8,884</b>	2,939
Advertising and marketing services income	<b>3,933</b>	5,479	<b>823</b>	–
Profit on trading of equity investments at fair value through profit or loss	–	285	–	149
Discontinued operations				
Artist management income	<b>1,207</b>	188	<b>401</b>	–
<b>Sub-total</b>	<b>24,049</b>	17,304	<b>10,108</b>	3,088
Other income and gain				
Change in fair value of financial liabilities	–	3,548	–	–
Compensation sum (note)	–	12,732	–	–
Gain on disposal of property, plant and equipment	–	34	–	–
Sundries	<b>595</b>	86	<b>589</b>	81
Interest income	<b>86</b>	134	<b>18</b>	3
<b>Sub-total</b>	<b>681</b>	16,534	<b>607</b>	84
<b>Total</b>	<b>24,730</b>	33,838	<b>10,715</b>	3,172

Note: The compensation sum represented the shortfall of guaranteed profit guaranteed by the vendor in favour of the Company in relation to the acquisition of the entire issued share capital of Creative Star 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 2014 (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	
Turnover	18,909	3,933	-	1,207	24,049
Segment results	(80)	(1,669)	(50)	(2,226)	(4,025)
Unallocated items:					
Other income and gain					681
Operating and administrative expenses					(8,618)
Finance costs					(2,842)
Loss before taxation					(14,804)
Taxation					-
Loss for the period					(14,804)
Attributable to:					
Equity shareholders of the Company					(13,157)
Non-controlling interests					(1,647)
Loss for the period					(14,804)

### 3. Segmental information (Continued)

(ii) 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	
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)
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)

#### 4. Finance costs

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	-	3,012	-	1,059
Interest on promissory notes	<b>2,637</b>	-	<b>1,265</b>	-
Interest on bank advances and other borrowings wholly repayable within five years	-	11,473	-	1,660
Interest on finance leases	<b>5</b>	9	<b>2</b>	2
Others	<b>200</b>	44	-	10
	<b>2,842</b>	14,538	<b>1,267</b>	2,731

#### 5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of services	<b>21,088</b>	15,931	<b>9,342</b>	2,752
Amortisation of intangible assets	<b>74</b>	72	<b>25</b>	24
Depreciation	<b>1,013</b>	156	<b>305</b>	58
Operating lease charges in respect of property rentals	<b>2,709</b>	647	<b>920</b>	229
Staff costs including directors' emoluments	<b>3,772</b>	3,525	<b>1,262</b>	991



## 6. Taxation

No provision for Hong Kong Profits Tax has been made as the Group has no estimated 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. The applicable PRC income tax rate is 25%.

## 7. Discontinued operations

### *Fountain City Group*

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.

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 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. 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 2014 of approximately HK\$13,157,000 and HK\$3,962,000 respectively (2013: approximately HK\$19,525,000 and HK\$8,987,000 respectively) and the weighted average of 560,137,000 and 560,137,000 (2013: 137,875,000 and 173,397,000) 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 2013	32,824	576,677	748	53	11,742	1,187	44	(641,907)	(16,632)	(12,435)	(29,067)
Total comprehensive income/(expenses) for the period	-	-	59	-	-	-	-	(19,525)	(19,466)	(3,618)	(23,094)
Issue of placing shares	6,555	1,311	-	-	-	-	-	-	7,866	-	7,866
Issue of offer shares	65,647	-	-	-	-	-	-	-	65,647	-	65,647
As at 30 September 2013	105,026	579,988	807	53	11,742	1,187	44	(661,432)	37,415	(16,053)	21,362
At 1 January 2014	280,068	474,962	801	53	-	-	44	(679,560)	76,368	(16,435)	59,933
Total comprehensive income/(expenses) for the period	-	-	-	-	-	-	-	(13,157)	(13,157)	(1,647)	(14,804)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	(1)	-	-	-	-	-	(1)	-	(1)
As at 30 September 2014	280,068	474,962	800	53	-	-	44	(692,717)	63,120	(16,082)	45,128

10. **Share capital**

	As at 30 September 2014		As at 31 December 2013	
	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>	2,000,000	1,000,000
<b>Issued and fully paid:</b>				
At 1 January	<b>560,137</b>	<b>280,068</b>	65,647	32,824
Issue of new shares in connections with the open offer	-	-	131,294	65,647
Issue of placing shares	-	-	13,110	6,555
Issue of offer shares with bonus shares	-	-	350,086	175,042
At the end of period	<b>560,137</b>	<b>280,068</b>	560,137	280,068

11. **Dividend**

The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the nine months ended 30 September 2014 (2013: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Turnover*

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2014 was approximately HK\$24,049,000 (2013: approximately HK\$17,304,000) representing an increase of 39% the corresponding period in 2013.

#### *Gross profit*

The gross profit for the nine months ended 30 September 2014 was approximately HK\$2,961,000 (2013: approximately HK\$1,373,000).

#### *Loss attributable to equity shareholders*

The loss attributable to equity shareholders of the Company was approximately HK\$13,157,000 for the nine months ended 30 September 2014 (2013: approximately HK\$19,525,000).

#### *Basic loss per share*

For the nine months ended 30 September 2014, basic loss per share was approximately HK2.35 cents (2013: approximately HK14.16 cents).

#### *Loan Facility*

On 18 March 2014, the Company and CLC Finance Limited (“CLC”) an independent third party of the Company and its associates, have entered into a loan agreement (the “Loan Agreement 1”), whereby CLC had agreed to grant to the Company a loan facility of HK\$15 million for a fixed term of 3 months at the agreed interest rate of 2.5% per month payable in advance (the “Loan Facility 1”).

As collateral to CLC for the repayment of the Loan Facility 1, the Company has issued a promissory note for the sum of HK\$15 million and the Company had fully drawn down the Loan Facility 1 on 18 March 2014, the net amount of the Loan Facility 1 in the sum of HK\$13,825,000 after deduction of interest and handling fee in the sum of HK\$1,175,000 payable by the Company to CLC in advance, and the Loan Facility 1 was used for general working capital.

On 17 June 2014, the Company has fully repaid to CLC the outstanding HK\$15 million in relation to the Loan Agreement 1.

On 16 June 2014, the Company and China Times Finance Limited (“CT”) an independent third party of the Company and its associates, have entered into a loan agreement (the “Loan Agreement 2”) whereby CT had agreed to grant to the Company a loan facility of HK\$20 million for a fixed term of 3 months at the agreed interest rate of 30% per annum payable in advance (the “Loan Facility 2”).



As collateral to CT for the repayment of the Loan Facility 2, the Company has issued a promissory note for the sum of HK\$20 million and the Company had fully drawn down the Loan Facility 2 on 16 June 2014, the net amount of the Loan Facility 2 in the sum of HK\$18,287,671 after deduction of interest and handling fee in the sum of HK\$1,712,329 payable by the Company to CT in advance, and the Loan Facility 2 was used for the repayment of Loan Facility 1 and general working capital.

The management of the Company will continue to make great effort to improve the liquidity condition including tightening cost control, expanding current businesses, securing additional banking facilities or raising funds from the capital market. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 242.53% (31 December 2013: 88.17%).

#### *Foreign currency risk*

The majority of the Group's transactions, income and expenditure, bank loan and other borrowings are denominated in HK\$ and Renminbi ("RMB"), no hedging or other arrangements to reduce the currency risk have been implemented during the nine months ended 30 September 2014 as the Board considers that the potential foreign exchange exposure of the Group is limited.

#### *Contingent liabilities*

As at 30 September 2014, the Group had no material contingent liabilities (31 December 2013: Nil).

### **Proposed Change of Company Name**

The Board announces that a special resolution will be proposed at the extraordinary general meeting to be held on 12 November 2014 ("EGM") to approve the change of English name of the Company from "TLT Lottotainment Group Limited" to "Evershine Group Holdings Limited" and the Chinese name changing from "彩娛集團有限公司" to "永耀集團控股有限公司".

To refresh the Company's corporate image and identity and in light of the business development and diversity of the Group, the Board considers that the new name "Evershine Group Holdings Limited" can more accurately reflect the corporate nature of the Group. The Board is therefore of the opinion that the proposed change of name of the Company is in the interests of the Company and the Shareholders as a whole.

A circular containing, among other matters, details of the proposed change of the name of the Company and a notice of EGM was despatched to the Shareholders on 21 October 2014. The Company will make further announcement(s) as and when appropriate on the effective date of the change of the name of the Company.





Details please refer to the Company's announcement dated 7 October 2014 and a circular dated 21 October 2014.

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

Advertising and marketing business generates stable cash flow which ranks second in revenue contribution to the Group and is one of the core businesses of the Group. The performance of the advertising and marketing services has been unsatisfactory which is mainly due to increasingly high cost of operation. The management team is considering the possibilities of broadening the scope of services in order to achieve a higher margin.

The Company has entered into a sale and purchase agreement on 29 October 2013 to acquire a target group engaged in wholesale and distribution of branded kids clothing.

On 6 November 2013, the Company has entered into the memorandum of understanding in relation to an acquisition of a target group engaged in businesses of artist management, marketing and promotional activities. The Directors are currently conducting the due diligence review on the target group. Should the Company proceed entering into any material contract, further announcement shall be made.

On 26 March 2014, the Company has entered into the memorandum of understanding in relation to an acquisition of a target group engaged in music entertainment business. The Directors are currently conducting the due diligence review on the target group. Should the Company proceed entering into any material contract, further announcement shall be made.

On 13 August 2014, the Company has entered into an acquisition agreement with the vendor pursuant to which the Company has conditionally agreed to acquire the sale share, representing the entire issued share capital of the Worthy Victory Limited from the vendor at a consideration of HK\$30,000,000, which will be fully settled by issue of the promissory note upon completion.



Details please refer to the Company's announcement dated 13 August 2014.

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

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

On 28 April 2014, the Purchaser, the Vendor A and the Vendor B entered into the supplemental acquisition agreement (the "Supplemental Acquisition Agreement") pursuant to which the long stop date in the Acquisition Agreement was extended for a further three months from 28 April 2014 to 28 July 2014 (the "Long Stop Date"). Save and except the aforesaid change in the Supplemental Acquisition Agreement, all other terms and conditions of the Acquisition Agreement remain unchanged.

On 29 July 2014, upon expiry of the Long Stop Date in the Acquisition Agreement, the conditions precedent has not been fully fulfilled. The Purchaser has served a written notice to the Vendors terminating the Acquisition Agreement (the "Termination") in accordance with the terms of the Acquisition Agreement after the expiry of the Long Stop Date. Pursuant to the terms of the Acquisition Agreement, in the event of the Termination, subject to the provision stated in the Acquisition Agreement, neither the Purchaser nor the Vendor shall have any liabilities towards each other.

The Board considers that the Termination will not have any material adverse impact on the operation and financial position of the Group.

Details please refer to the Company's announcements dated 18 July 2013, 29 October 2013, 19 November 2013, 3 December 2013, 19 December 2013, 30 January 2014, 21 February 2014, 21 March 2014, 25 April 2014, 28 April 2014, 23 May 2014, 25 June 2014 and 29 July 2014.



## Information on Possible Acquisitions

(i) *The memorandum of understanding in relation to a proposed acquisition (the “MOU1”)*

On 6 November 2013, the Company and Able Step Holdings Inc. (the “Prospective Vendor”) entered into the MOU1 in relation to the proposed acquisition. The target group is engaged in the business of artist management, marketing and promotional activities. The MOU1 is not legally binding with regard to the proposed acquisition, it may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the shares.

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


Details refer to the Company’s announcements dated 6 November 2013, 6 February 2014 and 5 May 2014.

(ii) *The memorandum of understanding in respect of the possible acquisition of entire issued share capital of Honger Music Venture Limited (the “MOU2”)*

On 26 March 2014 (after trading hours), the Company and Green Pole Development Inc. (the “Vendor 2”), a company incorporated in Vanuatu entered into the non-legally binding MOU2 in relation to the possible acquisition of entire issued share capital of Honger Music Venture Limited (the “Target”), a company incorporated in Hong Kong with limited liability. The Target is principally engaged in the music entertainment business.

The Company will commence the due diligence review and analysis of the Target after the execution the MOU2. Each party will bear its own costs and expenses in relation to the due diligence review, provided that the Vendor 2 will not be required to incur any extraordinary expense in compiling or obtaining information requested by the Company.

Under the MOU2, it is agreed that the Vendor 2 will not within three months from the date of the MOU2 negotiate with any party other than the Company for the possible acquisition. The exclusivity period may be extended by the mutual agreement of the parties.



On 21 July 2014, the Vendor 2 and the Company enter into an extension letter pursuant to which the parties to the MOU2 agree to extend the exclusivity period under the MOU2 for an additional three months such that the Vendor 2 will not within six months from the date of the MOU2 negotiate with any party other than the Company for the possible acquisition. The exclusivity period may be extended by the mutual agreement of the parties. All the other terms of the MOU2 remain unchanged.

The MOU2 is not legally binding and the possible acquisition may or may not proceed. If the possible acquisition is materialised, it may constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the possible acquisition will be made by the Company in the event when any formal agreement has been signed.

Details refer to the Company's announcement dated 26 March 2014 and 21 July 2014.

## **Update on Disposal of Subsidiaries**

### *(i) Update on exercise of put option and settlement deed for Dragon Gain Group*

As disclosed in the Company's announcement dated 21 March 2014, on 21 March 2014, the Company and vendors of Dragon Gain Group entered into a deed of settlement relating to the overdue balance of the Put Option Price and the overdue balance of the Indemnity Sum in the aggregate amount of HK\$24,200,000 (the "Global Deed of Settlement").

Under the Global Deed of Settlement, the vendors of Dragon Gain Group shall pay to the Company on 25 monthly instalment payments of HK\$999,774.19 each with the first instalment payment to be made on 28 March 2014 and thereafter on the 28th day of each succeeding month. The aggregate amount payable by the vendors of Dragon Gain Group under the Global Deed of Settlement is HK\$24,994,354.75 and represent an additional amount of HK\$794,354.75 in excess of the aggregate overdue balance of the Put Option Price and the overdue balance of the Indemnity Sum of HK\$24,200,000 and represents interest payable of approximately 1.57% per annum.

Details refer to the Company's announcements dated 11 July 2013, 18 October 2013 and 21 March 2014 and the Company's Circular dated 25 March 2011.



(ii) *Update on exercise of put option and settlement deed for Fountain City Group*

As disclosed in the Company's announcement dated 28 December 2012, regarding the exercise of put option in relation to Fountain City Group, on 28 December 2012, the Company and the Vendors, have agreed on the exercise by the Company of the Put Option of Fountain City Holdings Limited (the "Disposed Company") to put back the Sale Shares to the Vendors at the Put Option Price of HK\$58,650,000 as the Vendors had acknowledged that the Disposed Company was loss making.

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

As disclosed in the Company's announcement dated 26 August 2013, the Disposal was approved by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting held on 26 August 2013. Accordingly, the Completion shall take place on or before 24 February 2014 which is 180 days after the Disposals is approved by the Shareholders and the Option Exercise price shall be satisfied by the Vendor to the Purchaser on the same day. However the Vendor has failed to effect payments of the Option Exercise Price and the Loans pursuant to the Agreement and the Verbal Agreement.

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

Details of the transaction were published in the Company's announcements dated 8 January 2013, 26 August 2013, 24 March 2014 and the Company's circular dated 8 August 2013.

In general, the Group is working diligently in building a good foundation and at the same time, exploring 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 2014, 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 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.

## **SHARE OPTION SCHEMES**

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the Shareholders (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.

There has no outstanding share option under the Old Scheme as at 1 January 2014 and 30 September 2014 and no options have been granted under the New Scheme since its adoption.

## **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 2014 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 2014.

## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 2014, 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 shareholder	Capacity and nature of interests	Number of shares held	Number of underlying shares held	Approximate percentage of the Company's issued share capital	
				Total	
Mr. Lau Yu	Beneficial Owner	28,710,000	0	28,710,000	5.13%

Save as disclosed above, as at 30 September 2014, 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.



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

During the nine months ended 30 September 2014, 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 2014, 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. Liu Kwong Sang (Chairman), Ms. Lam Yuk Ying, Elsa and Mr. Yiu Yuen Kai.

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 2014.

By order of the Board  
**TLT Lottotainment Group Limited**  
**Wu Wenbei**  
*Chairman and Executive Director*

Hong Kong, 12 November 2014

*As of the date hereof, the Board comprises Mr. Wu Wenbei as chairman of the Board and executive Director, Ms. Lin Yan Jenny as executive Director and Ms. Lam Yuk Ying, Elsa, Mr. Liu Kwong Sang and Mr. Yiu Yuen Kai as independent non-executive Directors.*