



# TLT LOTTOTAINMENT GROUP LIMITED

## 彩娛集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

### INTERIM RESULTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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.

*Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever to any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors of TLT Lottotainment Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to TLT Lottotainment Group Limited. The directors of TLT Lottotainment Group Limited, 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; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **INTERIM RESULTS (UNAUDITED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2009*

### **HIGHLIGHTS**

- The Group achieved a turnover of approximately HK\$105,220,000 (continuing operation: HK\$8,840,000 and discontinued operation: HK\$96,380,000) for the six months ended 30 June 2009 (2008: approximately HK\$91,951,000), representing an increase of approximately 14% as compared with the turnover for the corresponding period in 2008.
- Loss from ordinary activities attributable to equity holders of the Company of approximately HK\$57,571,000 for the six months ended 30 June 2009 (2008: HK\$4,542,000) was mainly contributed by the continuously rise in cost of services, administrative expenses and finance costs.
- Basic loss per share for continuing and discontinued operation for the six months ended 30 June 2009 was approximately HK14.58 cents (2008: HK2.52 cents) and loss per share for continuing operation was HK12.70 cents (2008: N/A).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

## INTERIM RESULTS

For the six months ended 30 June 2009 (Unaudited)

The board (the "Board") of directors (the "Directors") of TLT Lottotainment Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2009 together with the comparative unaudited figures for the corresponding periods in 2008 (the "Relevant Periods") as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
TURNOVER	2				
Continuing operation		8,840	8,111	4,158	4,562
Discontinued operation		96,380	83,840	50,189	44,143
		<u>105,220</u>	<u>91,951</u>	<u>54,347</u>	<u>48,705</u>
COST OF SERVICES		<u>(108,672)</u>	<u>(87,724)</u>	<u>(57,333)</u>	<u>(49,187)</u>
GROSS PROFIT/(LOSS)		(3,452)	4,227	(2,986)	(482)
OTHER NET INCOME	2	16,404	12,387	8,950	10,743
ADMINISTRATIVE EXPENSES		(64,219)	(20,194)	(31,741)	(11,725)
FINANCE COSTS	5	(31,007)	(1,707)	(15,308)	(931)
LOSS BEFORE TAXATION	4				
Continuing operation		(70,553)	–	(34,228)	–
Discontinued operation		(11,721)	(5,287)	(6,857)	(2,395)
TAXATION	6	–	–	–	–
LOSS FOR THE PERIOD					
Continuing operation		(70,553)	–	(34,228)	–
Discontinued operation		(11,721)	(5,287)	(6,857)	(2,395)
		<u>(82,274)</u>	<u>–</u>	<u>(41,085)</u>	<u>–</u>
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY		(57,571)	(4,542)	(27,649)	(2,675)
MINORITY INTERESTS		(24,703)	(745)	(13,436)	280
		<u>(82,274)</u>	<u>(5,287)</u>	<u>(41,085)</u>	<u>(2,395)</u>
LOSS PER SHARE	7				
For continuing and discontinued operations					
– BASIC (CENT)		14.58	2.52	3.38	1.49
– DILUTED (CENT)		N/A	N/A	N/A	N/A
For continuing operation					
– BASIC (CENT)		12.70	–	2.91	–
– DILUTED (CENT)		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,605	154,280
Investment properties		–	1,626
Prepaid lease payments		910	5,417
Goodwill	8	297,023	912
Intangible assets	8	545,402	–
Available for sale financial assets		–	1,248
Deposit for acquisition of a subsidiary		–	5,000
		<u>847,940</u>	<u>168,483</u>
<b>Current assets</b>			
Inventories		3	2,920
Trade and other receivables	10	9,872	17,058
Fixed deposits		10,000	10,000
Cash and bank balances		4,959	26,647
		<u>24,834</u>	<u>56,625</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank borrowings	11	10,482	28,558
Trade payables and other payables		48,893	132,561
Tax payable		32	–
		<u>59,407</u>	<u>161,119</u>
<b>Net current liabilities</b>		<u>(34,573)</u>	<u>(104,494)</u>
<b>Total Assets Less Current Liabilities</b>		<u>813,367</u>	<u>63,989</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	11	–	5,354
Other payable		–	1,071
Receipt in advance		–	2,847
Government grants		–	32,540
Deferred tax liabilities		–	1,036
Convertible bonds	12	166,099	–
Promissory notes	13	168,101	–
		<u>334,200</u>	<u>42,848</u>
<b>NET ASSETS</b>		<u>479,167</u>	<u>21,141</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	5,442	2,160
Reserves		223,190	12,711
<b>MINORITY INTERESTS</b>		<u>250,535</u>	<u>6,270</u>
		<u>479,167</u>	<u>21,141</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Exchange reserve	Merger reserve	Statutory reserves	Asset revaluation reserve	Convertible bonds reserve	(Accumulated losses)/ profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2008	1,800	29,200	8,560	(490)	3,227	184	432	7,205	50,118	25,548	75,666
Loss for the period	-	-	-	-	-	-	-	(4,542)	(4,542)	(745)	(5,287)
Currency translation difference	-	-	3,466	-	-	-	-	-	3,466	4,065	7,531
As at 30 June 2008	1,800	29,200	12,026	(490)	3,227	184	432	2,663	49,042	28,868	77,910
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	2,227	-	-	-	-	-	2,227	1,485	3,712
Loss for the period	-	-	-	-	-	-	-	(43,720)	(43,720)	(24,083)	(67,803)
Shares issued upon conversion of convertible bond	360	7,272	-	-	-	-	(432)	-	7,200	-	7,200
Revaluation surplus	-	-	-	-	-	122	-	-	122	-	122
As at 31 December 2008	2,160	36,472	14,253	(490)	3,227	306	-	(41,057)	14,871	6,270	21,141
Loss for the period	-	-	-	-	-	-	-	(57,571)	(57,571)	(24,703)	(82,274)
Shares issued upon completion of acquisition of subsidiaries	440	25,960	-	-	-	-	-	-	26,400	-	26,400
Convertible bonds issued upon completion of acquisition of subsidiaries	-	-	-	-	-	-	149,802	-	149,802	-	149,802
Shares issued upon conversion of convertible bond	2,842	184,718	-	-	-	-	(78,528)	-	109,032	-	109,032
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	268,947	268,947
Disposal of subsidiaries	-	-	-	490	(3,174)	(211)	-	2,895	-	21	21
Release of exchange reserve due to disposal of subsidiaries	-	-	(13,902)	-	-	-	-	-	(13,902)	-	(13,902)
As at 30 June 2009	5,442	247,150	351	-	53	95	71,274	(95,733)	228,632	250,535	479,167

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash inflow from operating activities	<b>18,591</b>	7,349
Net cash (outflow) from investing activities	<b>(22,483)</b>	(23,663)
Net cash (outflow)/inflow from financing activities	<b>(17,812)</b>	14,436
(Decrease) in cash and cash equivalents	<b>(21,704)</b>	(1,878)
Effect of foreign exchange rate changes	–	3,466
Cash and cash equivalents at the beginning of the period	<b>16,181</b>	26,084
Cash and cash equivalents at the end of the period	<b>(5,523)</b>	27,672
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>4,959</b>	38,158
Bank overdrafts	<b>(10,482)</b>	(10,486)
	<b>(5,523)</b>	27,672

Notes:

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

The Group's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2008.

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

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

**2. Turnover and revenue**

The Group is engaged in the provision of lottery-based mobile online game recharge service and rendering of bus services through public routes, bus hire and sightseeing ticket, taxi rental as well as management fees. Revenue recognized during the Relevant Periods are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover				
Continuing operation				
– Mobile Recharging Services Income	823	–	760	–
– Travel Agent Services Income	8,017	8,111	3,398	4,562
Discontinued operation				
– Related bus services				
– Public bus routes	71,930	60,612	36,555	31,918
– Hire a bus services and sightseeing ticket	16,022	13,962	9,471	8,442
– Taxi rental	6,702	8,206	3,392	3,554
– Management fee	1,726	1,060	771	229
	<b>105,220</b>	91,951	<b>54,347</b>	48,705
Other revenue				
Advertising income on fleet body	844	581	599	298
Subsidy from local authority	13,594	10,682	7,888	10,090
Sundries	1,966	1,124	463	355
	<b>16,404</b>	12,387	<b>8,950</b>	10,743
Total revenue	<b>121,624</b>	104,338	<b>63,297</b>	59,448

### 3. Segmental information

No geographical segment analysis of the Group's performance for the six months ended 30 June 2009 is presented as all of the turnover and contribution to operating results of the Group are attributable in the People's Republic of China (the "PRC").

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

(i) For the six months ended 30 June 2009 (Unaudited)

	Continuing operations		Discontinued operations				Total HK\$'000
	Mobile Recharging Services Income HK\$'000	Travel Agent Services Income HK\$'000	Public routes HK\$'000	Hire a bus services and sightseeing ticket HK\$'000	Taxi Rental HK\$'000	Management fee HK\$'000	
Turnover	823	8,017	71,930	16,022	6,702	1,726	105,220
Cost of services	(700)	(7,561)	(75,955)	(17,150)	(6,084)	(1,222)	(108,672)
Gross profit	123	456	(4,025)	(1,128)	618	504	(3,452)
Administrative expenses	(10,231)	(1,352)	(12,709)	(3,720)	(2,611)	(2,199)	(32,822)
Segment results	(10,108)	(896)	(16,734)	(4,848)	(1,993)	(1,695)	(36,274)
Unallocated items:							
Other revenue							16,404
Administrative expenses							(31,397)
Finance costs							(31,007)
Loss before taxation							(82,274)
Taxation							-
Loss for the period							(82,274)
Loss attributable to:							
Equity holders of the Company							(57,571)
Minority interests							(24,703)
							(82,274)



(ii) For the six months ended 30 June 2008 (Unaudited)

	Continuing operations		Discontinued operations				Total HK\$'000
	Mobile Recharging Services Income HK\$'000	Travel Agent Services Income HK\$'000	Public routes HK\$'000	Hire a bus services and sightseeing ticket HK\$'000	Taxi Rental HK\$'000	Management fee HK\$'000	
Turnover	-	8,111	68,723	5,851	8,206	1,060	91,951
Cost of services	-	(7,447)	(68,444)	(5,011)	(6,032)	(790)	(87,724)
Gross profit	-	664	279	840	2,174	270	4,227
Administrative expenses	-	(1,472)	(7,144)	(194)	(871)	(24)	(9,705)
Segment results	-	(808)	(6,865)	646	1,303	246	(5,478)
Unallocated items:							
Other revenue							12,387
Administrative expenses							(10,489)
Finance costs							(1,707)
Loss before taxation							(5,287)
Taxation							-
Loss for the period							(5,287)
Loss attributable to:							
Equity holders of the Company							(4,542)
Minority interests							(745)
							(5,287)

#### 4. Loss Before Taxation

Loss before taxation is arrived at after charging and (crediting) the following:

	Six months ended 30 June		Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Cost of services	108,672	87,724	57,333	49,187
Amortisation of intangible assets	32,823	74	17,288	31
Depreciation	867	600	430	290
Operating lease rentals in respect of land and buildings	2,349	514	1,709	299
Staff costs including directors' emoluments	19,950	15,588	10,012	9,051
Gain on disposal of subsidiaries	(5,196)	–	(5,196)	–

#### 5. Finance costs

	Six months ended 30 June		Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest on convertible bonds	17,639	252	8,063	126
Interest on Promissory Notes	12,587	–	6,815	–
Interest on bank loans and overdrafts	781	1,455	430	805
	<b>31,007</b>	<b>1,707</b>	<b>15,308</b>	<b>931</b>

#### 6. Taxation

The taxation charge comprises:

		Six months ended 30 June		Three months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	–	–	–	–
		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(i) No provision for Hong Kong profits tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the relevant periods.

(ii) Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

**7. Loss per share**

The calculation of the basic loss per share is based on loss from the ordinary activities attributable to equity holders of the Company for the six months and three months ended 30 June 2009 of approximately HK\$14.58 and HK\$3.38 respectively (corresponding periods of 2008 loss from ordinary activities attributable to equity holders of the Company: approximately HK\$4,542,000 and HK\$2,675,000 respectively) and on a weighted average of 394,747,400 (2008: 180,000,000) shares in issue during the periods.

No diluted loss per share have been presented as the exercise of the convertible bonds would have an anti-dilutive effect.

**8. Acquisition of subsidiaries**

On 8 January 2009, the acquisition of 65% issued share capital of Wisdom In Holdings Limited was completed. The amount of the goodwill arising as a result of the acquisition was approximately HK\$296,983,000. Details of the transaction were disclosed in the Company's circular dated 5 November 2008.

The net assets of Wisdom In Holdings Limited and its subsidiaries ("Wisdom In Group") acquired in the transaction and the goodwill arising are as follows:

	<b>(Unaudited) As at 8 January 2009</b>	
	<b>Wisdom In Group's carrying amount</b>	<b>Adjusted Fair value</b>
	HK\$'000	HK\$'000
Net assets/(liabilities)	(17,908)	556,230
Less: minority interest	(6,268)	(269,730)
	<hr/>	<hr/>
Value of the acquired assets/(liabilities)	(11,640)	286,500
Assignment of current account		12,631
Goodwill		296,983
		<hr/>
		596,114
		<hr/> <hr/>
		<b>(Unaudited) As at 1 January 2009 Fair value HK\$'000</b>
Satisfied by:		
Cash		5,000
Issue of 44,000,000 shares of the Company at issue price of HK\$0.60 per consideration share		26,400
Issue of convertible bonds		409,200
Issue of promissory notes (Present Value)		155,514
		<hr/>
Total consideration		596,114
		<hr/> <hr/>

## 9. Discontinued operations

On 6 May 2009, pursuant to the sale and purchase agreement entered into between the Company and Cable Best Development Limited (the "Purchaser"), the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to buy the 100% interest of Argos Bus Services (China) Company Limited and its subsidiaries (the "Target Group") but excluding 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited) for a total consideration of HK\$1,931,680 (the "Disposal"). The Disposal took place on 30 June 2009. Details of the transaction were disclosed in the Company's circular dated 11 June 2009.

## 10. Trade and other receivables

	<b>As at 30 June 2009 HK\$'000 (Unaudited)</b>	As at 31 December 2008 HK\$'000 (Audited)
Trade receivables (Note (a))	241	7,095
Prepayments, deposit and other receivables	<u>9,631</u>	<u>9,963</u>
	<u><b>9,872</b></u>	<u>17,058</u>

(a) The aging analysis of the trade receivables were as follows:

	<b>As at 30 June 2009 HK\$'000 (Unaudited)</b>	As at 31 December 2008 HK\$'000 (Audited)
Current	241	4,945
31 – 60 days	–	896
61 – 90 days	–	250
Over 90 days	<u>–</u>	<u>1,004</u>
	<u><b>241</b></u>	<u>7,095</u>

## 11. Bank Borrowings

	<b>As at 30 June 2009 HK\$'000 (Unaudited)</b>	As at 31 December 2008 HK\$'000 (Audited)
Bank overdrafts	<b>10,482</b>	10,466
Bank loans	–	22,115
	<u><b>10,482</b></u>	<u>32,581</u>

At 30 June 2009, the bank loans and overdrafts were repayable as follows:

	<b>As at 30 June 2009 HK\$'000 (Unaudited)</b>	As at 31 December 2008 HK\$'000 (Audited)
Within one year and on demand	<b>10,482</b>	28,558
After 1 year but within 2 years	–	4,023
	<u><b>10,482</b></u>	<u>32,581</u>
Total bank loans	<b>10,482</b>	32,581
Less: repayable within 1 year or on demand as classified under current liabilities	<u><b>10,482</b></u>	<u>28,558</u>
Repayable after 1 year as classified under non-current liabilities	<u><u>–</u></u>	<u><u>4,023</u></u>

At 30 June 2009, the bank loans and overdrafts were analysed as follows:

	<b>As at 30 June 2009 HK\$'000 (Unaudited)</b>	As at 31 December 2008 HK\$'000 (Audited)
Secured	<b>10,000</b>	10,466
Unsecured	–	22,115
	<u><b>10,000</b></u>	<u>32,581</u>
Secured by		
– the Group's bank deposits	<b>10,000</b>	10,466
– the Group's motor vehicles, and corporate guarantee by Nanjing Argos, a subsidiary of the Company	–	4,298
– corporate guarantee by Argos China and Taizhou Argos, subsidiaries of the Company	–	10,920
– corporate guarantee by the Company	–	6,897
	<u><b>10,000</b></u>	<u>32,581</u>

## 12. Convertible bonds

On 8 January 2009, the Company issued the Convertible Bonds ("CB I") of HK\$409,200,000 as part of the consideration for the acquisition of Wisdom In Holdings Limited. The CB I contain two components, liability and equity elements. The fair value of the liability component, included in non-current liabilities, was determined using the method of discounted cash flow. The residual amount, representing the equity element, is included in shareholders' equity.

The CB I recognized in the balance sheet is calculated as follows:

	HK\$'000
Convertible Bonds issued 8 January 2009	409,200
Equity component	(149,802)
	<u>259,398</u>
Liability component on initial recognition	259,398
Amounts transferred to capital and reserves on conversion	(109,032)
Amortisation of Convertible Bonds	17,639
	<u>168,005</u>
Liability component as at 30 June 2009	<u>168,005</u>

On 7 August 2007, the Company and an independent third party entered into an agreement whereby the Company would issue convertible bonds ("CB II") at par with a principal amount of HK\$7,200,000 on or before 31 December 2007. CB II was unsecured, beared interest rate at 1% per annum and was redeemed at the principal amount on the first anniversary of the date of issue of the CB II.

The CB II was converted into the ordinary shares of the Company during the year ended 31 December 2008.

Interest expense on the CB II is calculated using the effective interest method by applying the effective interest rate of 7% per annum to the liability component.

**13. Promissory notes**

The promissory notes were issued to Mr. Zhang Wei Ting as part of the consideration for the acquisition of 65% equity interest of Wisdom In Holdings Limited during the period. The amount is unsecured, interest-free and matures on the third anniversary from the issue date of the promissory notes (i.e. 8 January 2012). The carrying amount of the promissory note approximates its fair value and is denominated in Hong Kong dollars.

**14. Share capital**

The share capital of the Company as at 30 June 2009 is 544,181,818 ordinary shares and equivalent to HK\$5,441,818 (31 December 2008: 216,000,000 ordinary shares which is equivalent to HK\$2,160,000). The change in share capital is mainly due to the issue of consideration shares to Mr. Zhang Wei Ting as part of the consideration of the very substantial acquisition and the issue of shares converted from the convertible bonds.

**15. Capital commitments**

As at 30 June 2009 the Group has a capital expenditure contracted for approximately HK\$1,527,816 (31 December 2008: HK\$690,000).

**16. Operating lease commitment**

At 30 June 2009 the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are HK\$2,939,260. The Group and the Company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to ten years. The leases did not include extension options. None of the leases includes contingent rentals.

**17. Interim dividend**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### *Turnover*

The unaudited consolidated turnover of the Group for the six months ended 30 June 2009 was approximately HK\$105,220,000 (2008: approximately HK\$91,951,000) representing an increase of 14% over the corresponding period in 2008.

#### *Gross loss*

The gross loss was approximately HK\$3,452,000 (2008: gross profit of approximately HK\$4,227,000). The gross loss was mainly due to high rise in the cost of services for public transportation segment.

#### *Loss attributable to equity holders*

The loss attributable to equity holders of the Company was approximately HK\$57,571,000. It was mainly contributed by the increase in cost of services and administrative expenses for the six months ended 30 June 2009 (2008: approximately HK\$4,542,000).

#### *Basic loss per share*

For the six months ended 30 June 2009, basic loss per share was approximately HK14.58 cents (2008: approximately HK2.52 cents).

#### *Balance Sheet*

As at 30 June 2009, the shareholders' funds of the Group amounted to approximately HK\$228,632,000 (2008: approximately HK\$49,042,000). Current assets amounted to approximately HK\$24,834,000 (2008: approximately HK\$82,284,000), of which approximately HK\$14,959,000 (2008: approximately HK\$38,158,000) were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$334,200,000 (2008: approximately HK\$23,807,000) and its current liabilities amounted to approximately HK\$34,573,000 (2008: approximately HK\$146,663,000), of which trade payables and other payables amounted to approximately HK\$48,893,000 (2008: approximately HK\$100,652,000).

#### *Net cash inflow from operating activities*

The Group recorded a cash inflow from operating activities of approximately HK\$18,591,000 during the six months ended 30 June 2009 compared with a cash inflow from operating activities of approximately HK\$7,349,000 during the corresponding period in 2008.

#### *Liquidity and financial resources*

The Group had cash and bank balance of approximately HK\$14,959,000 and current bank overdraft of approximately HK\$10,482,000 as at 30 June 2009.

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.



### *Foreign currency risk*

Since most of the transactions, income and expenditure, bank loan and other borrowings of the Group are denominated in Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented during the six months ended 30 June 2009 as the Board considers that the potential foreign exchange exposure of the Group is limited.

### *Contingent liabilities*

As at 30 June 2009, the Group had no material contingent liabilities (2008: Nil).

## **CHANGE OF COMPANY NAME**

The change of the Company name from “Argos Enterprise (Holdings) Limited” to “TLT Lottotainment Group Limited” and the new Chinese name “彩娛集團有限公司” would be adopted to replace “雅高企業（集團）有限公司” was effective following the approval by shareholders on the extraordinary general meeting held on 29 June 2009 and by Registrar of Companies in Hong Kong on 23 July 2009. The change of company name is to better reflect our principal business focusing on lottery-based mobile online game services – Lottotainment which have shown promising prospects.

## **ACQUISITION OF LOTTOTAINMENT BUSINESS**

References are made to (i) the announcements of the Company dated 15 October 2008 and 8 January 2009 in relation to the very substantial acquisition pursuant to the terms and conditions set out in the Master Agreement; (ii) the circular of the Company dated 5 November 2008 and; (iii) the announcement of the Company dated 26 November 2008 of the results of extraordinary general meeting of the Company held on 26 November 2008.

On 23 September 2008, Mega Field International Limited (“Mega Field”), a wholly-owned subsidiary of the Company, entered into the Master Agreement with Mr. Zhang Wei Ting pursuant to which Mr. Zhang Wei Ting has conditionally agreed to dispose of Wisdom In Holdings Limited (“Wisdom In”) which subsidiaries are engaged in the provision of nationwide telecommunications value-added services, including packaged message subscription, payment or recharging services for mobile phone subscribers in the PRC and Mega Field has conditionally agreed to acquire the Sale Shares and the Sale Loan of Wisdom In at a total consideration of HK\$695 million.

The acquisition took place on 8 January 2009.

## **DISPOSAL OF PUBLIC TRANSPORTATION BUSINESS**

References are made to the announcements of the Company dated 11 May 2009 and 30 June 2009, respectively and the circular of the Company dated 12 June 2009 in relation to the very substantial disposal.

The Company entered into a sale and purchase agreement dated 6 May 2009 with an independent third party in relation to the disposal of the entire issued share capital of its subsidiary, Argos Bus Services (China) Company Limited (“Argos Bus China”), at the consideration of HK\$1,500,000, and Argos Bus China’s indebtedness to the Company at the consideration of HK\$6,500,000, subject to the adjustment. The completion of the disposal took place on 30 June 2009. Argos Bus China and its subsidiaries but excluding 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited<sup>#</sup>) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited<sup>#</sup>) ceased to be subsidiaries of the Company since 1 July 2009.

Save as disclosed above, there were no acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2009.

## **FUTURE PROSPECT**

Following the material acquisition of the lottotainment business in January 2009, the Board believes it would provide an opportunity for the Group to gain access to the promising mobile value-added services business and sports lottery market in the PRC and broaden the income base of the Group, thereby enhancing the Group’s financial position and profitability in the future. The Group has now signed 6 exclusive service agreements with branches of the China Sports Lottery Administration Centre in provinces namely Shandong, Hainan, Qinghai, Gansu, Shaanxi and Hubei to provide e-payment and e-recharge services to lottery-based mobile online game subscribers through the “Tanglu Mobile Payment platform” (“TMP platform”). The Group is in final negotiation with the relevant authority in Liaoning on the seventh service agreement. In addition to Shandong province business which was already launched out in January 2009, the Group is planning to launch out the business in 6 other provinces in China by the end of this year.

During the period under review, the Company disposed of 100% equity interest in the public transportation and related businesses. As the continuing growth in the fuel, labour cost and disapproved of increment in bus fare, the public transportation segment has been operated at a loss for past few years. The disposal could release the pressure on the Group’s financial position as well as prevent loss deepening in the future.

The new name of the Company signifies a new milestone for the Group’s development. Being the first enterprise authorized by the China Sports Lottery Administration Centre to develop the TMP platform in 2007 and the first enterprise to launch the TMP Platform in Shandong in January 2009, we have the first mover advantage to capture the largely untapped lottery-based mobile online game market in the PRC. We are confident of generating the best returns for our shareholders and achieving our vision of becoming a leading lottery-based mobile online game services/mobile VAS provider in China.

<sup>#</sup> For identification purpose

## OPERATIONAL REVIEW

### Mobile Recharging Service Segment (Continuing Operation)

With the lottotainment business launched in Shandong province in January this year, we have over 1,200 agents and 15,000 subscribers using our TMP platform for participating in mobile lottery online. We expect these numbers will grow far more once the operations in other provinces are being launched by the end of this year.

### Public Bus Service, Sightseeing & Bus Rental Segment (Discontinued Operation)

Below are the operational data of the subsidiaries in the public bus service, sightseeing & bus rental business, namely Nanjing Argos, Taizhou Argos and Wanzhou Argos:

(a) *Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos")*

Operational statistics of Nanjing Argos for the period were as follows:

	<b>Jan – Jun 2009</b>	Jan – Jun 2008
Routes operated	<b>19</b>	18
Number of employees	<b>1,200</b>	1,085
Fleet size	<b>414</b>	367
Total mileage ('000 km)	<b>13,643</b>	12,947
Total patronage (million trip)	<b>42.82</b>	37.82

(b) *Chongqing Wanzhou Argos Public Transport Company Limited ("Wanzhou Argos")*

Operational statistics of Wanzhou Argos for the period were as follows:

	<b>Jan – Jun 2009</b>	Jan – Jun 2008
Routes operated	<b>8</b>	8
Number of employees	<b>284</b>	277
Fleet size	<b>61</b>	61
Total mileage ('000 km)	<b>2,782</b>	2,566
Total patronage (million trip)	<b>8.29</b>	6.45

(c) *Taizhou Argos Public Transport Bus Company Limited ("Taizhou Argos")*

Operational statistics of Taizhou Argos for the period were as follows:

	<b>Jan – Jun 2009</b>	Jan – Jun 2008
Routes operated	<b>30</b>	27
Number of employees	<b>542</b>	514
Fleet size (buses & taxis)	<b>570</b>	589
Total mileage ('000 km)	<b>4,201</b>	3,160
Total patronage (million trip)	<b>8.36</b>	7.29

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

As at 30 June 2009, 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.

<b>Name of Director</b>	<b>Capacity/ nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Approximate of aggregate percentage of the Company's issued share capital</b>
Mr. Cheung Man Yau, Timothy	Corporate	50,000,000 (Note 1)	9.19%
Mr. Wong Man Chiu, Ronnie	Corporate	1,387,342 (Note 2)	0.25%
Mr. Wong Wai Sing	Beneficial Corporate	3,350,000 64,500,000 (Note 3)	0.62% 11.85%

*Notes:*

1. Wonderful Source Limited, which directly holds 50,000,000 Shares, is wholly owned by Mr. Cheung Man Yau, Timothy, the Executive Director and Chief Executive Officer of the Company. By virtue of Part XV of the SFO, Mr. Cheung Man Yau, Timothy is deemed to be interested in these 50,000,000 Shares.
2. 12,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Man Chiu, Ronnie, an executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Man Chiu, Ronnie has 1,387,342 shares as the effective interests of the Company.
3. These 64,500,000 Shares are held by Shiny Galaxy Enterprises Limited which is beneficially owned by Mr. Wong Wai Sing, a non-executive Director. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 64,500,000 Shares.

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

Save as disclosed above, as at 30 June 2009, 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 Model Code.

## **SHARE OPTION SCHEME**

A share option scheme was adopted on 30 July 2001 and amended on 21 December 2008 by the shareholders of the Company 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 share option scheme).

Details of the movements in the share options granted and exercised during the six months ended 30 June 2009 under the share option scheme are as follows:

Name or category	Date of grant	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009
<b>Directors</b>								
Mr. Chan Kin Yip	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	3,000,000	-	-	3,000,000
Mr. Cheng Wing Hong	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	1,500,000	-	-	1,500,000
Mr. Sung Wai Tak, Herman	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	500,000	-	-	500,000
Mr. Wong Lit Chor, Alexis	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	500,000	-	-	500,000
Mr. Fung Wai Shing	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	500,000	-	-	500,000
<b>Other Employees</b>	29/06/2009	29/06/2009 to 28/06/2019	HK\$0.614	-	3,800,000	-	-	3,800,000
<b>In aggregate</b>				-	9,800,000	-	-	9,800,000

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the six months ended 30 June 2009 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 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 six months ended 30 June 2009.

## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 2009, 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 and 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:

<b>Name of Shareholder</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary Shares held</b>	<b>Percentage of the Company's issued share capital</b>
Premier Capital Enterprises Limited ( <i>Note</i> )	Beneficial	399,818,182	73.47%
Mr. Zhang Wei Ting ( <i>Note</i> )	Corporate	399,818,182	73.47%
Mr. Chow Hung Shen, Andrew	Beneficial	38,600,000	7.09%

*Note:* These shares are owned by Premier Capital Enterprises Limited, a company wholly owned by Mr. Zhang Wei Ting. The 399,818,182 Shares held by Premier Capital Enterprises Limited consist of convertible bonds which can be converted into 335,818,182 shares of the Company during its conversion period of three years from 9 January 2009. Mr. Zhang is deemed to be interested in 399,818,182 Shares pursuant to Part XV of the SFO.

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

Save as disclosed above, as at 30 June 2009, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares or underlying shares 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, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2009.

## **COMPETING INTERESTS**

As at 30 June 2009, 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.

## **COMPLIANCE ADVISER'S INTERESTS**

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its directors or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June 2009.

## **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 are the review and supervision of the Company's financial reporting process and internal control systems. As at the date of this announcement, the audit committee comprised three independent non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with management, 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 six months ended 30 June 2009.



## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") to the Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2009 except for the deviation set out below:–

- (1) Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer ("CEO") should be clearly established and set out in writing. The post of chairman has been vacant since the resignation of Mr. Wong Wah Sang as Chairman and non-executive director on 9 March 2009, while Mr. Wong Wai Sing ("Mr. Wong") was appointed as Chairman and non-executive director on 17 April 2009.
- (2) According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Independent Non-executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company.

By order of the Board  
**TLT Lottotainment Group Limited**  
**Wong Wai Sing**  
*Chairman*

Hong Kong, 12 August 2009

*As of the date hereof, the executive Directors are Mr. Cheung Man Yau, Timothy, Mr. Wong Man Chiu, Ronnie, Mr. Chan Kin Yip and Mr. Cheng Wing Hong; the non-executive Director is Mr. Wong Wai Sing (Chairman); while the independent non-executive Directors are Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.*

*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 [www.argosenterprise.com](http://www.argosenterprise.com).*