



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

2012



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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 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\$18,376,000 (continuing operation: approximately HK\$18,376,000 and discontinued operation: approximately HK\$Nil) for the nine months ended 30 September 2012 (2011: approximately HK\$17,850,000, continuing operation: approximately HK\$17,698,000 and discontinued operation: approximately HK\$152,000), representing an increase of approximately 3% as compared to corresponding period in 2011.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$48,964,000 for the nine months ended 30 September 2012 (2011: approximately HK\$14,215,000).
- Basic loss per share for continuing and discontinued operations for the nine months ended 30 September 2012 was approximately HK14.09 cents (2011: approximately HK1.10 cents) and loss per share for continuing operation was approximately HK14.06 cents (2011: approximately HK1.05 cents).
- The directors do not recommend the payment of any dividend for the nine months ended 30 September 2012 (2011: Nil).



THIRD QUARTERLY RESULTS (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months and three months ended 30 September 2012 together with unaudited comparative figures for the corresponding periods in 2011 (the “Relevant Periods”) as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
TURNOVER	2				
Continuing operations		18,376	17,698	5,488	5,424
Discontinued operations		-	152	-	-
		18,376	17,850	5,488	5,424
COST OF SERVICES		(16,748)	(16,389)	(4,691)	(4,985)
GROSS PROFIT		1,628	1,461	797	439
OTHER INCOME AND GAIN	2	262	24,721	24	23
OPERATING AND ADMINISTRATIVE EXPENSES		(31,337)	(30,193)	(7,556)	(9,675)
FINANCE COSTS	4	(22,486)	(17,210)	(5,701)	(3,888)
SHARE OF LOSSES OF ASSOCIATES		(1,387)	-	-	-
SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES		(283)	-	-	-
LOSS BEFORE TAXATION	5	(53,505)	(20,051)	(12,421)	(13,045)
Continuing operations		(53,505)	(20,051)	(12,421)	(13,045)
Discontinued operations		(98)	(1,170)	(15)	(56)
TAXATION	6	-	6	-	-



	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
LOSS FOR THE PERIOD					
Continuing operations		(53,505)	(20,051)	(12,421)	(13,045)
Discontinued operations		(98)	(1,164)	(15)	(56)
		(53,603)	(21,215)	(12,436)	(13,101)
ATTRIBUTABLE TO: EQUITY SHAREHOLDERS OF THE COMPANY					
NON-CONTROLLING INTERESTS		(48,964)	(14,215)	(11,463)	(10,048)
		(4,639)	(7,000)	(973)	(3,053)
LOSS FOR THE PERIOD		(53,603)	(21,215)	(12,436)	(13,101)
LOSS PER SHARE	8				
For continuing and discontinued operations					
– BASIC		(14.09 cents)	(1.10 cents)	(3.12 cents)	(0.63 cents)
– DILUTED		(14.09 cents)	(1.10 cents)	(3.12 cents)	(0.63 cents)
For continuing operations					
– BASIC		(14.06 cents)	(1.05 cents)	(3.12 cents)	(0.63 cents)
– DILUTED		(14.06 cents)	(1.05 cents)	(3.12 cents)	(0.63 cents)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
LOSS FOR THE PERIOD	(53,603)	(21,215)	(12,436)	(13,101)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX				
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	16	(146)	1	26
EXCHANGE RESERVE RELEASED UPON DISPOSAL OF DISCONTINUED OPERATIONS	58	4,725	58	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	74	4,579	59	26
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(53,529)	(16,636)	(12,377)	(13,075)
ATTRIBUTABLE TO: EQUITY SHAREHOLDERS OF THE COMPANY	(48,890)	(9,532)	(11,404)	(10,022)
NON-CONTROLLING INTERESTS	(4,639)	(7,104)	(973)	(3,053)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(53,529)	(16,636)	(12,377)	(13,075)



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 consolidated third quarterly 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 condensed consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

As at 30 September 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 are 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 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, operation of stage drama and trading of securities. 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 and disposed a dormant subsidiary on 31 August 2012 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover				
Continuing operations				
Revenue from travel agent services	12,252	16,550	4,431	4,933
Artist management income	213	1,148	3	491
Revenue of stage drama	397	–	–	–
Advertising and marketing services income	5,523	–	1,112	–
Loss on trading of equity investments at fair value through profit or loss	(9)	–	(58)	–
Discontinued operations				
Mobile recharging services income	–	152	–	–
Sub-total	18,376	17,850	5,488	5,424
Other income and gain				
Gain on disposal of subsidiaries	12	16,671	12	–
Gain on restructuring of promissory notes	–	7,821	–	–
Sundries	208	229	12	23
Interest income	42	–	–	–
Sub-total	262	24,721	24	23
Total	18,638	42,571	5,512	5,447



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 2012 (Unaudited)

	Continuing operations					Discontinued operations	Total
	Travel agent services (the PRC)	Entertainment (Hong Kong)	Stage drama (the PRC)	Advertising and marketing services (Hong Kong)	Securities (Hong Kong)	Mobile lottery on-line recharging services (the PRC)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	12,252	213	397	5,523	(9)	-	18,376
Segment results	(250)	(146)	(1,082)	271	(349)	-	(1,556)
Unallocated items:							
Other income and gain							262
Operating and administrative expenses							(28,153)
Finance costs							(22,486)
Share of losses of associates							(1,387)
Share of losses of jointly controlled entities							(283)
Loss before taxation							(53,603)
Taxation							-
Loss for the period							(53,603)
Attributable to:							
Equity shareholders of the Company							(48,964)
Non-controlling interests							(4,639)
Loss for the period							(53,603)



3. Segmental information (Continued)

(ii) For the nine months ended 30 September 2011 (Unaudited)

	Continuing operations					Discontinued operations	
	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	Securities (Hong Kong) HK\$'000	Mobile lottery on-line recharging services (the PRC) HK\$'000	Total HK\$'000
Turnover	16,550	1,148	-	-	-	152	17,850
Segment results	(761)	(8,851)	-	-	-	(987)	(10,599)
Unallocated items:							
Other income and gain							24,721
Operating and administrative expenses							(18,133)
Finance costs							(17,210)
Share of losses of associates							-
Share of losses of jointly controlled entities							-
Loss before taxation							(21,221)
Taxation							6
Loss for the period							(21,215)
Attributable to:							
Equity shareholders of the Company							(14,215)
Non-controlling interests							(7,000)
Loss for the period							(21,215)



4. Finance costs

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest on convertible bonds	7,819	1,608	1,683	765
Interest on promissory notes	8,105	15,557	-	3,106
Interest on bank advances and other borrowings wholly repayable within five years	5,475	-	3,975	-
Interest on finance leases	56	33	16	16
Others	1,031	12	27	1
	22,486	17,210	5,701	3,888

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cost of services	16,748	16,389	4,691	4,985
Amortisation of intangible assets	6,217	89	24	24
Depreciation	1,486	967	545	402
Fair value loss on equity investments through profit or loss	317	-	279	-
Loss on disposal of property, plant and equipment	58	-	58	-
Operating lease charges in respect of property rentals	2,718	3,633	821	1,223
Staff costs including directors' emoluments	8,557	9,824	2,420	2,772



6. Taxation

Taxation represents:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Deferred tax	-	(6)	-	-

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

7. Discontinued operations

- (i) 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 recharge 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.

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

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 2012 of approximately HK\$48,964,000 and HK\$11,463,000 respectively (2011: approximately HK\$14,215,000 and HK\$10,048,000 respectively) and the weighted average of 347,594,000 and 367,338,000 (2011: 1,297,038,000 and 1,595,373,000) 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	Share premium	Exchange reserve	Statutory reserve	Convertible bond reserve	Share option reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	16,412	574,663	553	53	11,742	3,064	(626)	(596,922)	8,939	344	9,283
Loss for the period	-	-	-	-	-	-	-	(48,964)	(48,964)	(4,639)	(53,603)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	16	-	-	-	-	-	16	-	16
Exchange reserve released upon disposal of discontinued operations	-	-	58	-	-	-	-	-	58	-	58
Total comprehensive income/(expenses) for the period	-	-	74	-	-	-	-	(48,964)	(48,890)	(4,639)	(53,529)
Issue of placing shares	3,282	4,014	-	-	-	-	-	7,296	-	-	7,296
Issue of right shares	9,847	-	-	-	-	-	-	9,847	-	-	9,847
Share option lapsed	-	-	-	-	-	(1,877)	-	1,877	-	-	-
Deemed contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	(378)	(378)
Acquisition of subsidiary	-	-	-	-	-	-	-	(9)	(9)	(161)	(164)
Disposal of subsidiaries	-	-	-	-	-	-	670	-	670	-	670
As at 30 September 2012	29,541	578,677	627	53	11,742	1,187	44	(644,012)	(22,141)	(4,832)	(26,973)

10. Share capital

	As at 30 September 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\$0.5 (2011: HK\$0.05) each	200,000	100,000	2,000,000	100,000
Issued and fully paid:				
At 1 January	328,235	16,412	796,424	7,964
Issued of placing shares (note (i))	65,647	3,282	409,000	4,090
Issued of right shares (note (ii))	196,941	9,847	-	-
Shares issued for acquisition of subsidiaries	-	-	321,753	3,218
Shares issued upon conversion of convertible notes	-	-	114,000	1,140
Share consolidation (note (iii))	(531,741)	-	(1,312,942)	-
At end of period/year	59,082	29,541	328,235	16,412



10. Share capital (Continued)

Notes:

- (i) 65,647,113 shares at a price of HK\$0.12 per shares were issued and allotted by way of placing on 5 June 2012. The details were disclosed in the announcement of the Company dated 23 May 2012.
- (ii) On 22 August 2012, the shareholders of the Company approved a rights issue on the basis of one rights share for every two shares at a subscription price of HK\$0.05 per rights share. The rights issue became unconditional on 11 September 2012. 196,941,341 rights shares with the par value of HK\$0.05 each were allotted and issued on 14 September 2012. Details of the rights issue were set out in the circulars of the Company dated 25 July 2012 and 23 August 2012 and the announcement of the Company dated 3 August 2012 and 13 September 2012.
- (iii) The share consolidation of every ten shares of HK\$0.05 each in the issued and unissued share capital of the Company consolidated into one consolidated share of HK\$0.5 each in the issued and unissued share capital of the Company (the "Share Consolidation") became effective on 19 September 2012. Upon the Share Consolidation has become effective, the authorised share capital of the Company became HK\$100,000,000 divided into 200,000,000 consolidated shares of HK\$0.5 each, of which 59,082,402 consolidated shares has been issued and fully paid or credited as fully paid. Details of the Share Consolidation were set out in the announcements of the Company dated 8 June 2012, 6 July 2012, 18 July 2012 and 18 September 2012 and the circular of the Company dated 27 August 2012.

11. Litigation

Reference is made to the announcements of the Company dated 27 May 2012, 6 June 2012, 14 June 2012 and 3 August 2012 ("the Announcements") in relation to the HK\$50 million Convertible Bonds issued by the Company on 28 October 2011 to Sun Finance Co., Ltd. ("Sun Finance").

On 17 May 2012, Sun Finance served a statutory demand on the Company pursuant to s.177 & 178 of the Companies Ordinance demanding for a sum of HK\$54,975,000 ("the Statutory Demand").

On 6 June 2012, the Company obtained from the Court of First Instance of the High Court in the proceedings of HCMP 1121/2012 an Ex Parte injunction order ("the Injunction Order") that, amongst other things, Sun Finance be restrained, whether by itself or by its officers, servants or agents, or otherwise howsoever, from presenting and/or issuing winding-up petition against the Company upon or in respect of the Statutory Demand, whether for or on the basis of the non-satisfaction or otherwise of the said demand, until after the hearing of the Inter-Partes Summons on 15 June 2012 at 9:30 a.m. before a Summons Judge or until further order meanwhile.



11. **Litigation (Continued)**

On 3 August 2012, the Company reached a full and final settlement with Sun Finance in respect of the Court Application and all of the claims by Sun Finance against the Company arising from the Bonds, the Instrument and the Statutory Demand by virtue of a Settlement Agreement dated 3 August 2012 (“the Settlement Agreement”). The parties also signed and submitted to the Court a Consent Order on 6 August 2012 in respect of the proceedings of HCMP 1121/2012 (“the Consent Order”). Pursuant to the Settlement Agreement and the Consent Order, (i) the Company paid a sum of HK\$56,885,245.90 to Sun Finance in full settlement of the principal amount of HK\$50 million of the Bonds and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance arising from the Bonds, the Instrument and the Statutory Demand shall be discharged; and (ii) the Court Application shall be stayed.

On 3 August 2012, the Company reached a Settlement Agreement with Sun Finance and made a further drawdown under the Loan Facility in an amount of HK\$65 million and paid a sum of HK\$56,885,245.90 of which to Sun Finance in full settlement of the principal amount of HK\$50 million and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance were discharged.

12. **Interim dividend**

The Directors do not recommend any payment of dividend nor transfer of any amount to reserves for the nine months ended 30 September 2012 (2011: Nil).

13. **Event after the reporting period**

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

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

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

Details of the transaction were published in the Company’s announcement dated 10 October 2012.

(ii) On 11 October 2012, an aggregate of 6,364,711 Placing Shares have been successfully placed to not less than six Placées at the Placing Price of HK\$0.5 per Placing Share pursuant to the terms and conditions of the Placing Agreement. Details of the Placing were published in the Company announcement dated 4 October 2012 and 11 October 2012.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2012 was approximately HK\$18,376,000 (2011: approximately HK\$17,850,000) representing an increase of approximately 3% over the corresponding period in 2011.

The unaudited consolidated loss for the period recorded an amount of approximately HK\$53,603,000 in the third quarter of 2012 as compared to a loss of approximately HK\$21,215,000 for the corresponding period in 2011. The loss attributable to equity shareholders of the Company was approximately HK\$48,964,000 in the third quarter of 2012 as compared to a loss of approximately HK\$14,215,000 for the corresponding period in 2011. Loss per share for the nine months ended 30 September 2012 was approximately HK14.09 cents as compared to loss per share of approximately HK1.10 cents for the corresponding period in 2011.

Operational Review and Prospect

Taking into account of the unsatisfactory financial position and performance of the Group for the past years, the Group is actively exploring the availability of alternative source of funds to strengthen the working capital and the asset base of the Group. During the period and up to the date of this report under review, the Group had completed several placings and issuance of right shares. The Group believes that such measures taken have greatly improved the Group's financial status and in a more healthy financial position for future development.

The travel industry is still very competitive in the People's Republic of China (the "PRC"). 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 our travel agency operation.

The Group started trading in securities from mid-June 2012. The securities investments principally comprise securities from companies listed on the Stock Exchange. The securities investments will be held for short term trading purpose. It is intended that the securities investments will provide the Group with a reasonable dividend yield as well as capital appreciation.



The Company's securities portfolio as at 30 September 2012 was as follows:

Name of stock (Stock code)	Share holdings	Invested amount HK\$	Market value HK\$
Inno-Tech Hold (8202)	900,000	391,500	225,000
CNC Holdings (8356)	760,000	568,400	532,000
Carnival Group (996)	1,300,000	383,500	474,500
Total		<u>1,343,400</u>	<u>1,231,500</u>

On 16 February 2011, the Group acquired 51% of the issued share capital of Dragon Gain Worldwide Limited ("Dragon Gain"), a company which through its wholly owned subsidiary holds a non-exclusive licence to adapt Mr. Louis Cha Leung Yung's novel "Born to be hero 天龍八部" for stage drama performance worldwide (except Japan). On 15 December 2011, the stage drama is officially launched in Beijing. The launch performance in Beijing ran from 15 December 2011 to 8 January 2012. The performance of the stage drama in Beijing was unsatisfactory as the operation cost unexpectedly increased by the launch of the drama and the failure to secure sponsorship for the stage drama. The Group is committed to strengthen the cost control policy in this operation. Besides, the Group is planning to stage the drama in other Asian regions and intends to invite the sponsorship for the shows.

According to the acquisition agreement, the Company may exercise its option to put back the 51% share capital of Dragon Gain to its original vendor at the original acquisition price plus a pre-agreed premium. Although the performance of the stage drama is disappointed and the profit guarantee provided by the vendor of the relevant acquisition may not be met, however, given the special nature of entertainment business it will be difficult to assess whether such profits guarantee can ultimately be achieved or not and at present the Company intends to wait further to see if there is any turn around on the performance of the stage drama to decide whether to exercise the put option to put the investment project of the stage drama back to its original vendor. The Company will closely monitor the performance and development of the stage drama project.



For the talent academy in Macau, its capital investment has already been completed and the official school license of the Macau talent academy is in the final stage of approval by the Education and Youth Affairs Bureau in Macau (“EYAB”) and the Group is optimistic with it, the Group has worked closely with EYAB in rescheduling the commencement of the operations of the Macau talent academy and it is expected that enrollments of the training courses will commence in the fourth quarter of 2012. However, due to the delay in the granting of the official school license to the Macau talent academy, it has delayed the scheduled commencement of business of the talent academy and has adversely affected its performance and as such it has failed to provide any profits to the Group and according to the acquisition agreement for 51% issued capital of Fountain City Holdings Limited (“Fountain City”), the Company may exercise its option to put back the 51% share capital of Fountain City to its original vendor at the original acquisition price plus a pre-agreed premium. The Company is considering and assessing on exercising the options to put back the 51% share capital of Fountain City to its original vendor if it is in the best interest of the Shareholders.

On 28 February 2012, the Group acquired the entire issued capital of Creative Star Limited (“Creative Star”) which holds 60% of the share of Hong Kong Marketing Service Limited (“Hong Kong Marketing”). Hong Kong Marketing is engaged in product advertising and promotion, marketing agency and planning, function organization and media project services. With the strong client base and the media network Hong Kong Marketing possessed as well as the management’s experience in advertising and promotion industry, the Company considers that the acquisition can provide a synergy effect to the Group’s existing businesses which includes provision of cross-selling, marketing platform and resources for brand building. Given the stable source of revenue from Hong Kong Marketing, the Directors expect that the acquisition will not only increase the income stream and bring additional stable earnings to the Group but also increase the return on equity which in long run can bring benefit to the Group and its shareholders. The Directors expect to take measures to rationalize its existing business, including improving the operation efficiency and effectiveness of the businesses and undergoing business segment integration.

The Group is also trying to diversify its businesses into the business of money lending and the money lender license has been issued to the Group. The Directors consider it will be beneficial to the Company to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders.

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 and at the same time to explore opportunities to expand the Group’s business operations.

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

As at 30 September 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. Fung Wai Shing (resigned on 11 July 2012)	Beneficial Owner	–	9,485 (Note)	0.02%

Note:

The share options of the Company have been granted to Mr. Fung Wai Shing on 29 June 2009 and outstanding as at 30 September 2012. Adjustments to the outstanding share options have been made upon the completion of the right issue and the share consolidation on 14 September 2012 and 19 September 2012 respectively.

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

Save as disclosed above, as at 30 September 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.



SHARE OPTION SCHEMES

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the "Old Scheme") under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares of the Company. The Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

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

Details of the movements in the share options granted to various former Directors and employees of the Group during the nine months ended 30 September 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 30 September 2012
Directors										
Mr. Cheung Man Yau, Timothy (retired on 4 June 2012)	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$17.9*	123,308*	-	-	(123,308)*	-	-
Mr. Chan Kin Yip (resigned on 10 March 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.4*	56,912*	-	-	(56,912)*	-	-
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$17.9*	37,941*	-	-	(37,941)*	-	-
Mr. Sung Wai Tak, Herman (resigned on 20 April 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.4*	9,485*	-	-	(9,485)*	-	-
Mr. Wong Lit Chor, Alexis (resigned on 16 March 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.4*	9,485*	-	-	(9,485)*	-	-
Mr. Fung Wai Shing (resigned on 11 July 2012)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.4*	9,485*	-	-	-	-	9,485*
Other Employees										
	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$32.4*	28,456*	-	-	-	-	28,456*
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$17.9*	161,249*	-	-	(18,969)*	-	142,280*
In aggregate					436,321*	-	-	(256,100)*	-	180,221*

* The Company has made adjustments to the outstanding share options upon the completion of the share consolidations on 19 October 2011 and 19 September 2012 respectively and the completion of the right issue on 14 September 2012. The details have been published on the Company's announcements dated 20 October 2011, 13 September 2012 and 18 September 2012.



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 2012 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 2012.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 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/ underlying shares held	Approximate percentage of the Company's issued share capital
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	5,035,180	8.52%

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



Save as disclosed above, as at 30 September 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 bonds 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 30 September 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 ("Bonds") was issued to Sun Finance Co., Ltd. ("Sun Finance") 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.

On 24 May 2012, the Company received a letter from Sun Finance stating that the instrument dated 28 October 2011 constituting the Bonds (the "Instrument") had already been terminated. After careful consideration by the Board, the Company on 25 May 2012 accepted Sun Finance's position regarding termination of the Instrument.



On 3 August 2012, the Company reached a full and final settlement with Sun Finance in respect of the Court Application and all of the claims by Sun Finance against the Company arising from the Bonds, the Instrument and the Statutory Demand by virtue of a Settlement Agreement dated 3 August 2012 (“the Settlement Agreement”). The parties also signed and submitted to the Court a Consent Order on 6 August 2012 in respect of the proceedings of HCMP 1121/2012 (“the Consent Order”). Pursuant to the Settlement Agreement and the Consent Order, (i) the Company paid a sum of HK\$56,885,245.90 to Sun Finance in full settlement of the principal amount of HK\$50 million of the Bonds and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance arising from the Bonds, the Instrument and the Statutory Demand shall be discharged; and (ii) the Court Application shall be stayed.

On 3 August 2012, the Company reached a Settlement Agreement with Sun Finance and made a further drawdown under the Loan Facility in an amount of HK\$65 million and paid a sum of HK\$56,885,245.90 of which to Sun Finance in full settlement of the principal amount of HK\$50 million and the interest accrued thereon up to and including 2 August 2012 whereupon all liabilities of the Company towards Sun Finance were discharged.

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, 7 May 2012, 27 May 2012, 6 June 2012, 14 June 2012 and 3 August 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. 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. 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

During the nine months ended 30 September 2012, 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 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 Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Shu Yan (Chairman), Mr. Li Kwok Chu and Mr. Chiu Koon Shou.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the nine months ended 30 September 2012.

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

Hong Kong, 12 November 2012

As of the date hereof, the executive Directors are Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; and the independent non-executive Directors are Mr. Li Kwok Chu, Mr. Chiu Koon Shou and Mr. Lau Shu Yan.