



**TLT LOTTAINMENT GROUP LIMITED**

**彩娛集團有限公司**

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022



**THIRD QUARTERLY REPORT 2010**



## **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.**

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*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$16,102,000 (continuing operation: HK\$16,102,000 and discontinued operation: Nil) for the nine months ended 30 September 2010 (2009: approximately HK\$111,943,000, continuing operation: HK\$15,563,000, discontinued operation: HK\$96,380,000) representing a decrease of approximately 86% as compared with the turnover for the corresponding period in 2009. The decrease in turnover is mainly due to the disposal of public transportation business on 30 June 2009
- Loss from ordinary activities attributable to equity holders of the Company for the nine months and three months ended 30 September 2010 was approximately HK\$29,169,000 (2009: loss of HK\$85,307,000) and HK\$14,244,000 (2009: loss of HK\$22,540,000) respectively.
- Basic loss per share for continuing and discontinued operation for the nine months and three months ended 30 September 2010 was approximately 4.44 HK cents and 2.16 HK cents respectively (Basic loss per share of the corresponding period in 2009: approximately 19.14 HK cents and 5.06 HK cents respectively). Basic loss per share for continuing operation for the nine months and three months ended 30 September 2010 was approximately 4.44 HK cents and 2.16 HK cents respectively (2009: 17.29 HK cents and 3.37 HK cents respectively.)
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2010 (2009: Nil).



## THIRD QUARTERLY RESULTS (UNAUDITED)

For the Nine Months ended 30 September 2010

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 nine months and three months ended 30 September 2010 together with unaudited comparative figures for the corresponding periods in 2009 (the "Relevant Periods") as follows:

### CONSOLIDATED INCOME STATEMENT

|                               | Notes | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|-------------------------------|-------|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|                               |       | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| <b>TURNOVER</b>               |       |                                   |                                 |                                    |                                 |
| Continuing operation          | 2     | 16,102                            | 15,563                          | 5,856                              | 6,723                           |
| Discontinued operation        |       | –                                 | 96,380                          | –                                  | –                               |
|                               |       | <b>16,102</b>                     | <b>111,943</b>                  | <b>5,856</b>                       | <b>6,723</b>                    |
| <b>COST OF SERVICES</b>       |       | <b>(14,413)</b>                   | <b>(113,986)</b>                | <b>(5,160)</b>                     | <b>(5,314)</b>                  |
| <b>GROSS PROFIT/(LOSS)</b>    |       | <b>1,689</b>                      | <b>(2,043)</b>                  | <b>696</b>                         | <b>1,409</b>                    |
| OTHER NET INCOME              | 2     | 11                                | 16,404                          | 6                                  | –                               |
| ADMINISTRATIVE EXPENSES       |       | (52,013)                          | (91,923)                        | (16,502)                           | (22,507)                        |
| FINANCE COSTS                 | 5     | (1,825)                           | (43,660)                        | (6,053)                            | (12,654)                        |
| <b>(LOSS) BEFORE TAXATION</b> |       | <b>(52,138)</b>                   | <b>(109,501)</b>                | <b>(21,853)</b>                    | <b>(33,752)</b>                 |
| Continuing operation          |       | (52,138)                          | (109,501)                       | (21,853)                           | (33,752)                        |
| Discontinued operation        |       | –                                 | (11,721)                        | –                                  | –                               |
| TAXATION                      | 6     | 6,657                             | –                               | 2,219                              | –                               |
| <b>(LOSS) FOR THE PERIOD</b>  |       | <b>(45,481)</b>                   | <b>(109,501)</b>                | <b>(19,634)</b>                    | <b>(33,752)</b>                 |
| Continuing operation          |       | (45,481)                          | (109,501)                       | (19,634)                           | (33,752)                        |
| Discontinued operation        |       | –                                 | (11,721)                        | –                                  | –                               |
|                               |       | <b>(45,481)</b>                   | <b>(121,222)</b>                | <b>(19,634)</b>                    | <b>(33,752)</b>                 |



|  | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|--|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
| Notes                                      | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| ATTRIBUTABLE TO:                           |                                   |                                 |                                    |                                 |
| EQUITY HOLDERS OF THE COMPANY              | (29,169)                          | (85,307)                        | (14,244)                           | (22,540)                        |
| NON-CONTROLLING INTERESTS                  | (16,312)                          | (35,915)                        | (5,390)                            | (11,212)                        |
|  | <b>(45,481)</b>                   | <b>(121,222)</b>                | <b>(19,634)</b>                    | <b>(33,752)</b>                 |
| <b>LOSS PER SHARE</b>                      |                                   |                                 |                                    |                                 |
| 8  |                                   |                                 |                                    |                                 |
| For continuing and discontinued operations |                                   |                                 |                                    |                                 |
| – BASIC (CENT)                             | 4.44                              | 19.14                           | 2.16                               | 5.06                            |
| – DILUTED (CENT)                           | 4.44                              | 19.14                           | 2.16                               | 5.06                            |
| For continuing operation                   |                                   |                                 |                                    |                                 |
| – BASIC (CENT)                             | 4.44                              | 17.29                           | 2.16                               | 3.37                            |
| – DILUTED (CENT)                           | 4.44                              | 17.29                           | 2.16                               | 3.37                            |



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|--|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|  | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| <b>(LOSS) FOR THE PERIOD</b>   | <b>(45,481)</b>                   | (121,222)                       | <b>(19,634)</b>                    | (33,752)                        |
| <b>OTHER COMPREHENSIVE INCOME<br/>FOR THE PERIOD, NET OF TAX</b>                           |                                   |                                 |                                    |                                 |
| EXCHANGE DIFFERENCES ON TRANSLATION OF<br>FINANCIAL STATEMENTS OF OVERSEAS<br>SUBSIDIARIES | 552                               | 90                              | 552                                | 90                              |
| DISPOSAL OF DISCONTINUED OPERATION   | –                                 | 5,196                           | –                                  | –                               |
| <b>TOTAL COMPREHENSIVE (EXPENSES)<br/>FOR THE PERIOD</b>                                   | <b>(44,929)</b>                   | (115,936)                       | <b>(19,082)</b>                    | (33,662)                        |
| ATTRIBUTABLE TO:   |                                   |                                 |                                    |                                 |
| EQUITY HOLDERS OF THE COMPANY  | <b>(28,617)</b>                   | (80,021)                        | <b>(13,692)</b>                    | (22,450)                        |
| NON-CONTROLLING INTERESTS  | <b>(16,312)</b>                   | (35,915)                        | <b>(5,390)</b>                     | (11,212)                        |
| <b>TOTAL COMPREHENSIVE (EXPENSES)<br/>FOR THE PERIOD</b>                                   | <b>(44,929)</b>                   | (115,936)                       | <b>(19,082)</b>                    | (33,662)                        |



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 third quarterly results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2009.

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 2010, the Group had net liabilities of approximately HK\$63,450,000 respectively. 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, liquidity and cash flow position of the Group and the Company:

- (i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.
- (ii) The Group and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company.
- (iii) The Group is expected to derive sufficient operating cash flows from its existing operation, and the further development of the lottery-based mobile online game recharging services in the sports lottery business in the People's Republic of China (the "PRC") of which operated since January 2009.
- (iv) 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.
- (v) Mr. Wong Wai Sing, a substantial shareholder and executive director of the Company, has undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future difficulties to be experienced by the Group.
- (vi) Mr. Zhang Wei Ting, holder of promissory notes, agreed not to demand for repayment of promissory notes on or after the maturity date (i.e. 7 January 2012) when the Group is incapable to do so.



## 2. Turnover and revenue

The Group is engaged in the provision of lottery-based mobile online game recharging services, sale of sports lottery, rendering of travel agent services and others. Revenue recognized during the Relevant Periods are as follows:

|  | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|--|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|  | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| Turnover   |                                   |                                 |                                    |                                 |
| Continuing operation                                   |                                   |                                 |                                    |                                 |
| – Mobile recharging service and sale of sports lottery | 848                               | 2,064                           | 196                                | 1,241                           |
| – Travel agent services                                | 15,252                            | 13,499                          | 5,658                              | 5,482                           |
| – Others   | 2                                 | –                               | 2                                  | –                               |
| Discontinued operation                                 |                                   |                                 |                                    |                                 |
| – Public bus routes service                            | –                                 | 71,930                          | –                                  | –                               |
| – Hire a bus services and sightseeing ticket           | –                                 | 16,022                          | –                                  | –                               |
| – Taxi rental  | –                                 | 6,702                           | –                                  | –                               |
| – Management fee                                       | –                                 | 1,726                           | –                                  | –                               |
|  | <b>16,102</b>                     | 111,943                         | <b>5,856</b>                       | 6,723                           |
| Other revenue  |                                   |                                 |                                    |                                 |
| Advertising income on fleet body                       | –                                 | 844                             | –                                  | –                               |
| Subsidy from local authority                           | –                                 | 13,594                          | –                                  | –                               |
| Sundries   | 11                                | 1,966                           | 6                                  | –                               |
|  | <b>11</b>                         | 16,404                          | <b>6</b>                           | –                               |
| Total revenue  | <b>16,113</b>                     | 128,347                         | <b>5,862</b>                       | 6,723                           |





### 3. Segmental information

No geographical segment analysis of the Group's performance for the nine months ended 30 September 2010 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 nine months ended 30 September 2010 (Unaudited)

|                               | Continuing operations   |                                   |                    | Discontinued operations                                |                           |                         |                            | Total<br>HK\$'000 |
|-------------------------------|---|-----------------------------------|--------------------|--|---------------------------|-------------------------|----------------------------|-------------------|
|                               | Mobile recharging services and sale of sports lottery<br>HK\$'000 | Travel agent services<br>HK\$'000 | Others<br>HK\$'000 | Hire a bus services and sightseeing ticket<br>HK\$'000 | Public routes<br>HK\$'000 | Taxi Rental<br>HK\$'000 | Management fee<br>HK\$'000 |                   |
| Turnover                      | 848   | 15,252                            | 2                  | -  | -                         | -                       | -                          | 16,102            |
| Cost of services              | (440)   | (13,973)                          | -                  | -  | -                         | -                       | -                          | (14,413)          |
| Gross profit                  | 408   | 1,279                             | 2                  | -  | -                         | -                       | -                          | 1,689             |
| Administrative expenses       | (39,287)  | (2,084)                           | (782)              | -  | -                         | -                       | -                          | (42,153)          |
| Segment results               | (38,879)  | (805)                             | (780)              | -  | -                         | -                       | -                          | (40,464)          |
| Unallocated items:            |   |                                   |                    |  |                           |                         |                            |                   |
| Other revenue                 |   |                                   |                    |  |                           |                         |                            | 11                |
| Administrative expenses       |   |                                   |                    |  |                           |                         |                            | (9,860)           |
| Finance costs                 |   |                                   |                    |  |                           |                         |                            | (1,825)           |
| Loss before taxation          |   |                                   |                    |  |                           |                         |                            | (52,138)          |
| Taxation                      |   |                                   |                    |  |                           |                         |                            | 6,657             |
| Loss for the period           |   |                                   |                    |  |                           |                         |                            | (45,481)          |
| Loss attributable to:         |   |                                   |                    |  |                           |                         |                            |                   |
| Equity holders of the Company |   |                                   |                    |  |                           |                         |                            | (29,169)          |
| Non-controlling interests     |   |                                   |                    |  |                           |                         |                            | (16,312)          |
|                               |   |                                   |                    |  |                           |                         |                            | (45,481)          |



(ii) For the nine months ended 30 September 2009 (Unaudited)

|                               | Continuing operations  |                                    |                     | Discontinued operations    |   |                          |                             | Total<br>HK\$ '000 |
|-------------------------------|--|------------------------------------|---------------------|----------------------------|---|--------------------------|-----------------------------|--------------------|
|                               | Mobile recharging services and sale of sports lottery<br>HK\$ '000 | Travel agent services<br>HK\$ '000 | Others<br>HK\$ '000 | Public routes<br>HK\$ '000 | Hire a bus services and sightseeing ticket<br>HK\$ '000 | Taxi Rental<br>HK\$ '000 | Management fee<br>HK\$ '000 |                    |
| Turnover                      | 2,064  | 13,499                             | -                   | 71,930                     | 16,022  | 6,702                    | 1,726                       | 111,943            |
| Cost of services              | (1,645)  | (11,930)                           | -                   | (75,955)                   | (17,150)  | (6,084)                  | (1,222)                     | (113,986)          |
| Gross profit/(loss)           | 419  | 1,569                              | -                   | (4,025)                    | (1,128)   | 618                      | 504                         | (2,043)            |
| Administrative expenses       | (13,890)   | (1,833)                            | -                   | (12,709)                   | (3,720)   | (2,611)                  | (2,199)                     | (36,962)           |
| Segment results               | (13,471)   | (264)                              | -                   | (16,734)                   | (4,848)   | (1,993)                  | (1,695)                     | (39,005)           |
| Unallocated items:            |  |                                    |                     |                            |   |                          |                             |                    |
| Other revenue                 |  |                                    |                     |                            |   |                          |                             | 16,404             |
| Administrative expenses       |  |                                    |                     |                            |   |                          |                             | (54,961)           |
| Finance costs                 |  |                                    |                     |                            |   |                          |                             | (43,660)           |
| Loss before taxation          |  |                                    |                     |                            |   |                          |                             | (121,222)          |
| Taxation                      |  |                                    |                     |                            |   |                          |                             | -                  |
| Loss for the period           |  |                                    |                     |                            |   |                          |                             | (121,222)          |
| Loss attributable to:         |  |                                    |                     |                            |   |                          |                             |                    |
| Equity holders of the Company |  |                                    |                     |                            |   |                          |                             | (85,307)           |
| Non-controlling interests     |  |                                    |                     |                            |   |                          |                             | (35,915)           |
|                               |  |                                    |                     |                            |   |                          |                             | (121,222)          |



#### 4. Loss Before Taxation

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

|   | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|---|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|   | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| Cost of services  | 14,413                            | 113,986                         | 5,160                              | 5,314                           |
| Amortisation of intangible assets                           | 27,163                            | 50,218                          | 9,061                              | 17,324                          |
| Depreciation  | 735                               | 1,147                           | 218                                | 280                             |
| Operating lease rentals in respect of land<br>and buildings | 2,259                             | 3,896                           | 570                                | 1,547                           |
| Staff costs including directors' emoluments                 | 9,045                             | 23,518                          | 2,225                              | 3,568                           |
| Share based payment   | 3,530                             | -                               | -                                  | -                               |
| Loss on disposal of fixed assets                            | 857                               | -                               | 857                                | -                               |
| Gain on disposal of subsidiaries                            | -                                 | (5,196)                         | -                                  | -                               |

#### 5. Finance costs

|  | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|--|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|  | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| Interest on convertible bonds  | 3,455                             | 23,177                          | -                                  | 5,539                           |
| Interest on promissory notes   | 17,142                            | 19,691                          | 6,035                              | 7,104                           |
| Interest on bank loans and overdrafts                                  | 843                               | 792                             | 18                                 | 11                              |
| Reversal of interest expense upon<br>cancellation of convertible bonds | (19,615)                          | -                               | -                                  | -                               |
|  | <b>1,825</b>                      | <b>43,660</b>                   | <b>6,053</b>                       | <b>12,654</b>                   |



**6. Taxation**

The taxation charge comprises:

|                       | Nine months ended<br>30 September |                                 | Three months ended<br>30 September |                                 |
|-----------------------|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
|                       | 2010<br>HK\$'000<br>(Unaudited)   | 2009<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)    | 2009<br>HK\$'000<br>(Unaudited) |
| Deferred tax – credit | (6,657)                           | –                               | (2,219)                            | –                               |

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. Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

**7. Interim dividend**

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2010 (2009: Nil).

**8. 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 nine months and three months ended 30 September 2010 of approximately HK\$29,169,000 and HK\$14,244,000 respectively (corresponding periods of 2009 loss from ordinary activities attributable to equity holders of the Company: approximately HK\$85,307,000 and HK\$22,540,000 respectively) and on a weighted average of 657,671,494 (2009: 445,664,835) shares in issue during the periods.

The diluted loss per share from continuing operations for the period is equal to the basic loss per share as the potential ordinary shares were anti-dilutive in nature.



## 9. Capital and Reserves

|  | Share capital | Share premium  | Exchange reserve | Statutory reserve | Asset revaluation reserve | Convertible bond reserve | (Accumulated losses)/ retained profits | Share option reserve | 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        |
| As at 1 January 2010   | 6,523         | 320,249        | (3,352)          | 53                | 95                        | 55,026                   | (427,906)                              | 2,492                | (46,820)         | 53,153                    | 6,333           |
| Total comprehensive (expense) for the period   | -             | -              | -                | -                 | -                         | -                        | (29,169)                               | -                    | (29,169)         | (16,312)                  | (45,481)        |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | -             | -              | (522)            | -                 | -                         | -                        | -                                      | -                    | (522)            | -                         | (522)           |
| Share issued upon conversion of convertible bonds  | 35            | 2,611          | -                | -                 | -                         | (846)                    | -                                      | -                    | 1,800            | -                         | 1,800           |
| Share issued upon placing of new shares  | 660           | 19,140         | -                | -                 | -                         | -                        | -                                      | -                    | 19,800           | -                         | 19,800          |
| Share issued upon exercising shares option   | 155           | 5,115          | -                | -                 | -                         | -                        | -                                      | -                    | 5,270            | -                         | 5,270           |
| Cancellation of convertible bonds  | -             | -              | -                | -                 | -                         | (54,180)                 | -                                      | -                    | (54,180)         | -                         | (54,180)        |
| Recognition of equity-settled share-based payment  | -             | -              | -                | -                 | -                         | -                        | -                                      | 3,530                | 3,530            | -                         | 3,530           |
| As at 30 September 2010  | <u>7,373</u>  | <u>347,115</u> | <u>(3,874)</u>   | <u>53</u>         | <u>95</u>                 | <u>-</u>                 | <u>(457,075)</u>                       | <u>6,022</u>         | <u>(100,291)</u> | <u>36,841</u>             | <u>(63,450)</u> |

## 10. Share capital

|  | As at 30 September 2010 |                     | As at 31 December 2009 |                 |
|--|-------------------------|---------------------|------------------------|-----------------|
|  | Number of shares '000   | Amount HK\$'000     | Number of shares '000  | Amount HK\$'000 |
| Authorised:  |                         |                     |                        |                 |
| Ordinary shares at HK\$0.01 each                   | <b>10,000,000</b>       | <b>100,000</b>      | 10,000,000             | 100,000         |
| Issued and fully paid:                             |                         |                     |                        |                 |
| At 1 January                                       | <b>652,258</b>          | <b>6,523</b>        | 216,000                | 2,160           |
| Shares issued upon acquisition of subsidiaries     | -                       | -                   | 44,000                 | 440             |
| Shares issued upon conversion of convertible bonds | <b>3,500</b>            | <b>35</b>           | 392,258                | 3,923           |
| Shares issued upon placing of new shares           | <b>66,000</b>           | <b>660</b>          | -                      | -               |
| Shares issued upon exercising shares options       | <b>15,500</b>           | <b>155</b>          | -                      | -               |
| At end of period/year                              | <u><b>737,258</b></u>   | <u><b>7,373</b></u> | <u>652,258</u>         | <u>6,523</u>    |



## **BUSINESS REVIEW**

During the nine months ended 30 September 2010, continuing operations achieved a turnover of approximately HK\$16,102,000, representing an increase of 3.34% as compared with the turnover for the corresponding period in 2009.

## **OPERATIONAL REVIEW**

### **Mobile Lottery Online Recharging Service Segment**

The Group has at present entered into 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”).

Taking into account of only one mobile lottery game was launched on the mobile lottery online platform since its launch in Shandong in January 2009, both the number of agents and subscribers using our TMP platform in subscribing the mobile lottery online is progressively increasing but in a slow pace. Due to the delay in launching certain new mobile lottery online games by the China Sports Lottery Administrative Centre, we have worked closely with the China Sports Lottery Administrative Centre in rescheduling the commencement of our operations in other five provinces of which exclusive service agreements have been entered into. In considering the prospective of China Lottery market, we are still optimistic in the mobile lottery online business as remote subscription channel will be the future focus and development of lottery sales in the PRC.

According to the latest statistic issued by Ministry of Finance, the lottery sale for the first nine month period 2010 reached RMB118 billion, increased by about 23.2% comparing with 2009 corresponding period. We expect the lottery sale will further bloom in last quarter of 2010 and the lottery sale can reach a record high for 2010. We are still optimistic in the mobile lottery online business as remote distribution channel will be the future development of lottery sales in the PRC. The management is working closely with the China Sports Lottery Administration Centre regarding the launch of the mobile lottery online business in other provinces.



## **Sports Lottery Outlets Segment**

Benefit by the advancement of telecommunications and live-boardcasting technology, PRC citizen can now easily enjoy high-quality sports match and events, no matter at home or outdoor, through TV or remote channel like mobile handset or internet. Nowadays, more and more citizen enjoy to subscribe the sports betting lottery which can be demonstrated by the sale figure latest issued by the Ministry of Finance for the first nine month 2010. According to the statistic issued, the sports betting lottery sale figure for the first nine months 2010 reached RMB9.5 billion, an increase of 124.1% when comparing with corresponding period in 2009. We expect the sale of our sports betting outlets will continue to grow and make contribution to the Group.

## **Travel Agent Segment**

The travel industry is still very competitive though developing in the PRC during the period under review. The Group has to face a difficult environment particularly the continuous growth in the operating costs like the staff cost. As the annual disposal income per capita is expected to grow in the PRC, we are optimistic on the development of the travel industry.

## **Major Co-operation agreements**

### *Development of Sports Oriented Prediction Game Website in the PRC*

On 31 May 2010, Shenzhen Caile Technology Limited# (the "SZ Caile"), a subsidiary of the Group and Beijing ZhongCaiZaiXian Investment Consulting Company Limited# ("BJ Company"), a company established under the laws of the PRC, entered into a co-operation agreement to establish a co-operative relationship in developing and operating a sports-oriented prediction game website in the PRC. Driven by the continuing growth in netizen and the popularity of social networking services in the PRC, it is expected that the online gaming market, especially casual gaming, in the PRC will continue to bloom in the coming years. We consider the entering of the co-operation agreement can step into the online gaming market and further strengthen the income base of the Group.

\* for identification purpose only



#### *Development of a Lottery Related Value Added Services Website in the PRC*

On 1 June 2010, SZ Caille and BJ Company further entered into a co-operation agreement in developing and operating a website which provides lottery information and wireless value added services to lottery subscribers in the PRC. We consider the entering of the Agreement can deepen the Group's penetration into lottery market in Mainland China and strengthen the income base of the Group.

During the period under reviews, both co-operations are still in website development stage.

#### **Acquisition of Fountain City Holdings Limited**

To further diversify the Group's business and strengthen the income base of the Group in the long run, on 22 October 2010, the acquisition of 51% equity interest of Fountain City Holdings Limited ("Fountain City") was completed. The total consideration paid for the acquisition of Fountain City was HK\$34,500,000. Fountain City owns the entire issued share capital of Santos and Macau Talent, and 60% of the issued share capital of M&M Entertainment ("Target Group") and is engaged in business of entertainment programme production, events organization, advertising, tv-series production and operation of an artist and entertainment talent training school in the region of Macau and Southeast Asia.

We consider the Acquisition provides a golden opportunity for the Group to penetrate into the entertainment industry of Macau which is considered to be a blooming industry in the coming few years. In addition, Madam Bibi Mariam Maria Cordero, a successful singer and artist in Hong Kong, Macau & Asia, who is well experienced in TV program production and artist training will serve as key management of the Fountain City. The Directors are optimistic on the future prospects of the business.

Details of the transaction were disclosed in the Company's circular dated 15 September 2010, 7 October 2010 and 22 October 2010 respectively.





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

As at 30 September 2010, 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. Wong Wai Sing           | Beneficial Owner                   | 3,350,000                        | –                                  | 0.46%   |
|                             | Interest of Corporation Controlled | 68,000,000<br>(Note 1)           | –                                  | 9.22%   |
| Mr. Cheung Man Yau, Timothy | Beneficial Owner                   | –                                | 6,500,000<br>(Note 2)              | 0.88%   |
| Mr. Chan Kin Yip            | Beneficial Owner                   | 1,000,000                        | 5,000,000<br>(Note 2)              | 0.81%   |
| Mr. Cheng Wing Hong         | Beneficial Owner                   | –                                | 2,000,000<br>(Note 2)              | 0.27%   |
| Mr. Sung Wai Tak, Herman    | Beneficial Owner                   | –                                | 500,000<br>(Note 2)                | 0.07%   |
| Mr. Wong Lit Chor, Alexis   | Beneficial Owner                   | –                                | 500,000<br>(Note 2)                | 0.07%   |
| Mr. Fung Wai Shing          | Beneficial Owner                   | –                                | 500,000<br>(Note 2)                | 0.07%   |



*Notes:*

1. These 68,000,000 Shares are held by Shiny Galaxy Enterprises Limited which is beneficially owned by Mr. Wong Wai Sing, an Executive Director of the Company. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 68,000,000 Shares.
2. The share options of the Company have been granted to directors and employees on 29 June 2009 and 4 June 2010 and outstanding as at 30 September 2010.

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

Save as disclosed above, as at 30 September 2010, 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 nine months ended 30 September 2010 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 2010 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding as at 30 September 2010 |
|-----------------------------|---------------|--------------------------|---|----------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------------------|
| <b>Directors</b>            |               |                          |   |                                  |                           |                             |                          |                                     |
| Mr. Cheung Man Yau, Timothy | 4/6/2010      | 04/06/2010 to 03/06/2020 | HK\$0.34                                    | -                                | 6,500,000                 | -                           | -                        | 6,500,000                           |
| Mr. Chan Kin Yip            | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 3,000,000                        | -                         | -                           | -                        | 3,000,000                           |
|                             | 4/6/2010      | 04/06/2010 to 03/06/2020 | HK\$0.34                                    | -                                | 3,000,000                 | 1,000,000                   | -                        | 2,000,000                           |
| Mr. Cheng Wing Hong         | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 1,500,000                        | -                         | -                           | -                        | 1,500,000                           |
|                             | 4/6/2010      | 04/06/2010 to 03/06/2020 | HK\$0.34                                    | -                                | 1,000,000                 | 500,000                     | -                        | 500,000                             |
| Mr. Sung Wai Tak, Herman    | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 500,000                          | -                         | -                           | -                        | 500,000                             |
| Mr. Wong Lit Chor, Alexis   | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 500,000                          | -                         | -                           | -                        | 500,000                             |
| Mr. Fung Wai Shing          | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 500,000                          | -                         | -                           | -                        | 500,000                             |
| <b>Other Employees</b>      |               |                          |   |                                  |                           |                             |                          |                                     |
|                             | 29/6/2009     | 29/06/2009 to 28/06/2019 | HK\$0.614                                   | 3,800,000                        | -                         | -                           | -                        | 3,800,000                           |
|                             | 4/6/2010      | 04/06/2010 to 03/06/2020 | HK\$0.34                                    | -                                | 28,500,000                | 14,000,000                  | -                        | 14,500,000                          |
| <b>In aggregate</b>         |               |                          |   | <u>9,800,000</u>                 | <u>39,000,000</u>         | <u>15,500,000</u>           | <u>-</u>                 | <u>33,300,000</u>                   |

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme referred to above, at no time during the nine months ended 30 September 2010 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 nine months ended 30 September 2010.

## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 2010, 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:

| Name of Shareholder              | Capacity and nature of interests | Number of ordinary Shares held | Percentage of the Company's issued share capital |
|----------------------------------|----------------------------------|--------------------------------|--|
| Shiny Galaxy Enterprises Limited | Beneficial Owner (Note 1)        | 68,000,000                     | 9.22%  |

Notes:

1. These 68,000,000 shares are held by Shiny Galaxy Enterprises Limited which is beneficially owned by Mr. Wong Wai Sing, a Chairman and executive Director of the Company. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 68,000,000 shares.

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



Save as disclosed above, as at 30 September 2010, 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 nine months ended 30 September 2010.

## **COMPETING INTERESTS**

As at 30 September 2010, 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 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 director 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 September 2010.



## **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 report, 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 nine months ended 30 September 2010.

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

Hong Kong, 12 November 2010

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