



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

The background is a vibrant, colorful illustration of a nightclub scene. A large, glowing disco ball is in the upper right corner. In the center, there are silhouettes of people dancing and playing instruments like a guitar and drums. The bottom right corner features a musical staff with various colorful notes and a treble clef. The overall color palette is a mix of purple, pink, blue, and yellow, with many sparkling light effects.

First Quarterly Report
2011



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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\$7,281,000 for the three months ended 31 March 2011 (2010: HK\$4,378,000), representing an increase of approximately 66% as compared to the corresponding period in 2010.
- Loss from operations was approximately HK\$673,000 for the three months ended 31 March 2011 (2010: HK\$15,607,000). Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$4,948,000 for the three months ended 31 March 2011 (2010: profit of HK\$2,755,000).
- Basic loss per share for the three months ended 31 March 2011 was approximately HK0.53 cents (2010: earnings of HK0.42 cents per share).
- The directors do not recommend the payment of any dividend for the three months ended 31 March 2011 (2010: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 31 March 2011

The board (the “Board”) of directors (the “Directors”) of TLT Lottotainment Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2011 together with unaudited comparative figures for the corresponding period in 2010 (the “Relevant Periods”) as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 March	
	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
TURNOVER	2	7,281	4,378
COST OF SERVICES		(6,694)	(3,882)
GROSS PROFIT		587	496
OTHER INCOME AND GAIN	2	7,945	1
OPERATING AND ADMINISTRATIVE EXPENSES		(9,205)	(16,104)
LOSS FROM OPERATIONS		(673)	(15,607)
FINANCE COSTS	4	(6,416)	10,791
LOSS BEFORE TAXATION	5	(7,089)	(4,816)
TAXATION	6	6	2,219
LOSS FOR THE PERIOD		(7,083)	(2,597)
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		(4,948)	2,755
NON-CONTROLLING INTERESTS		(2,135)	(5,352)
LOSS FOR THE PERIOD		(7,083)	(2,597)
EARNINGS/(LOSS) PER SHARE			
– BASIC	7	(0.53 cents)	0.42 cents
– DILUTED	7	(0.53 cents)	0.42 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited
Three months ended
31 March

	2011	2010
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(7,083)	(2,597)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	(202)	–
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD	(202)	–
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(7,285)	(2,597)
ATTRIBUTABLE TO:		
EQUITY SHAREHOLDERS OF THE COMPANY	(5,049)	2,755
NON-CONTROLLING INTERESTS	(2,236)	(5,352)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(7,285)	(2,597)



Notes:

1. Basis of preparation and principal accounting policies

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange (the “GEM Listing Rules”).

The accounting policies adopted in preparing the unaudited first quarterly consolidated results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2010.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

As at 31 March 2011, the Group had in net liabilities position. The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group and the Company:

- (i) The Group and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company;
- (ii) The Group and the Company would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flows in 2011; and
- (iii) The Company’s substantial shareholder and a director of the Company, has undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future difficulties to be experienced by the Group.

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

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

2. Turnover, other income and gain

The Group is engaged in the provision of lottery-based mobile on-line game recharging services, travel agent services and artist management services. Revenue recognized during the Relevant Periods is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2011	2010
	HK\$'000	HK\$'000
Turnover		
Mobile recharging service income	152	376
Artist management income	280	–
Revenue from travel agent services	6,849	4,002
Sub-total	7,281	4,378
Other income and gain		
Gain on restructuring of promissory notes	7,821	–
Sundries	124	–
Interest income	–	1
Sub-total	7,945	1
Total	15,226	4,379

3. Segmental information

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all of the Group's operating activities are carried out 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 three months ended 31 March 2011 (Unaudited)

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

3. Segmental information (Continued)

(ii) For the three months ended 31 March 2010 (Unaudited)

	Mobile lottery on-line recharging services HK\$'000	Travel agent services HK\$'000	Entertainment HK\$'000	Total HK\$'000
Turnover	376	4,002	–	4,378
Segment results	(13,063)	(309)	–	(13,372)
Unallocated items:				
Other income and gain				1
Operating and administrative expenses				(2,236)
Finance costs				10,791
Loss before taxation				(4,816)
Taxation				2,219
Loss for the period				(2,597)
Attributable to:				
Equity shareholders of the Company				2,755
Non-controlling interests				(5,352)
Loss for the period				(2,597)

4. Finance costs

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	–	40
Interest on convertible bonds	–	3,448
Interest on promissory notes	6,407	5,318
Reversal of interest expense upon cancellation of convertible bonds	–	(19,615)
Others	9	18
	6,416	(10,791)

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Cost of services	6,694	3,882
Amortisation of intangible assets	48	8,876
Depreciation	475	270
Operating lease charges in respect of property rentals	1,143	1,007
Staff costs including directors' emoluments	3,858	2,858

6. Taxation

Taxation represents:

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Deferred tax	(6)	(2,219)
	(6)	(2,219)

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. Earnings/(Loss) per share

The calculation of the basic earnings/loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$4,948,000 (2010: profit of HK\$2,755,000) and the weighted average of 930,380,000 (2010: 652,258,000) ordinary shares in issue during the period.

The diluted loss per share for the three months ended 31 March 2011 (2010: diluted earnings per share) is equal to the basic loss per share (2010: basic earnings per share) as the outstanding convertible bonds and share options were anti-dilutive.

8. Capital and reserves (Unaudited)

Attribution to equity shareholders of the Company												
	Share capital	Share premium	Exchange reserve	Statutory reserve	Assets revaluation 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	HK\$'000
At 1 January 2010	6,523	320,249	(3,352)	53	95	55,026	2,492	-	(427,906)	(46,820)	53,153	6,333
Cancellation of convertible bonds	-	-	-	-	-	(54,180)	-	-	-	(54,180)	-	(54,180)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	2,755	2,755	(5,352)	(2,597)
As at 31 March 2010	6,523	320,249	(3,352)	53	95	846	2,492	-	(425,151)	(98,245)	47,801	(50,444)
At 1 January 2011	7,964	376,330	(3,915)	53	-	-	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)
Issuing of placing shares	1,580	46,027	-	-	-	-	-	-	-	47,607	-	47,607
Issuance of convertible bonds	-	-	-	-	-	12,626	-	-	-	12,626	-	12,626
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,088	6,088
Loss for the period	-	-	-	-	-	-	-	-	(4,948)	(4,948)	(2,135)	(7,083)
Currency translation difference	-	-	(101)	-	-	-	-	-	-	(101)	(101)	(202)
As at 31 March 2011	9,544	422,357	(4,016)	53	-	12,626	4,166	44	(534,094)	(89,320)	(17,195)	(106,515)

9. Share capital (Unaudited)

	2011		2010	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares at HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
At 1 January	796,424	7,964	652,258	6,523
Issuing of placing shares	158,000	1,580	-	-
At 31 March	954,424	9,544	652,258	6,523

10. Interim dividends

The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the three months ended 31 March 2011 (2010: Nil).



BUSINESS REVIEW AND PROSPECT

The unaudited consolidated turnover of the Group for the three months ended 31 March 2011 was approximately HK\$7,281,000 representing an increase of approximately 66% over the corresponding period in 2010.

The unaudited consolidated loss for the period recorded an amount of HK\$7,083,000 in the first quarter of 2011 as compared to a loss of HK\$2,597,000 for the corresponding period in 2010. The loss attributable to the shareholders of the Company was approximately HK\$4,948,000 in the first quarter of 2011 as compared to a profit of HK\$2,755,000 for the corresponding period in 2010. The profit in the last corresponding period was due to the reversal of interest expenses arising from the cancellation of convertible bonds of a principal amount of HK\$148 million on 9 March 2010. Loss per share for the three months ended 31 March 2011 was HK0.53 cents as compared to earnings per share of HK0.42 cents for the corresponding period in 2010.

Taking into account of the unsatisfactory financial position and performance of the Group for the past two years, the Group is actively exploring the availability of alternative source of funds to strengthen the working capital of the Group. During the period under review, the Group had completed several top-up placings and negotiated with the promissory note holders for restructuring of promissory note. 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.

During the period under review, the Group has entered into six exclusive service agreements with branches of Sport Lottery Administration Centre to provide e-payment and e-recharge services to lottery-based online game subscribers. Due to the high market competitiveness, high governmental policy risk of the industry as well as the significant loss position of the mobile lottery online (the "MLO") business, the Company considered that it is the right time to retreat from the MLO business line and concentrate the resources on developing the entertainment business currently carried out by the Group. Following the disposal of MLO business which was completed on 4 April 2011, the MLO business ceased to be consolidated into the Group.

In order to strengthen the entertainment business line, the Group also acquired a company which is engaged in organization, production and management of stage drama worldwide (excluding Japan) including the performance of a famous Chinese novel called "Born to be Hero" (天龍八部), under a license granted by its author Mr. Louis Cha Leung Yung for a period of five years. The Company considers that the debut of the stage drama of "Born to be Hero" will be a milestone to the development and participation in the fast growing entertainment market in the PRC and other Asian regions. The stage performance will be four performed in the PRC this year and the first drama show is planned to be launched out in Beijing in August 2011.

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

As at 31 March 2011, 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	Interest of Corporation Controlled	350,000 (Note 1)	-	0.04%
Mr. Cheung Man Yau, Timothy	Beneficial Owner	-	6,500,000 (Note 2)	0.68%
Mr. Chan Kin Yip	Beneficial Owner	1,000,000	5,000,000 (Note 2)	0.63%
Mr. Sung Wai Tak, Herman	Beneficial Owner	-	500,000 (Note 2)	0.05%
Mr. Wong Lit Chor, Alexis	Beneficial Owner	-	500,000 (Note 2)	0.05%
Mr. Fung Wai Shing	Beneficial Owner	-	500,000 (Note 2)	0.05%

Notes:

- These 350,000 shares are held by Shiny Galaxy Enterprises Limited which is wholly and beneficially owned by Mr. Wong Wai Sing. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 350,000 shares.
- The share options of the Company have been granted to Directors and employees on 29 June 2009 and/or 4 June 2010 and outstanding as at 31 March 2011.

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

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEMES

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the “Old Scheme”) under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the Old Scheme). The Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

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

Details of the movements in the share options granted to various Directors and employees of the Group and exercised during the three months ended 31 March 2011 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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 March 2011
Directors										
Mr. Cheung Man Yau, Timothy	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	6,500,000	-	-	-	-	6,500,000
Mr. Chan Kin Yip	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	3,000,000	-	-	-	-	3,000,000
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	2,000,000	-	-	-	-	2,000,000
Mr. Cheng Wing Hong (resigned on 11 February 2011)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	1,500,000	-	-	-	-	1,500,000
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	500,000	-	-	-	-	500,000
Mr. Sung Wai Tak, Herman	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Mr. Wong Lit Chor, Alexis	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Mr. Fung Wai Shing	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Other Employees										
	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	3,800,000	-	-	(1,800,000)	-	2,000,000
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	9,500,000	-	-	(1,000,000)	-	8,500,000
In aggregate					28,300,000	-	-	(2,800,000)	-	25,500,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option schemes referred to above, at no time during the three months ended 31 March 2011 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 three months ended 31 March 2011.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 March 2011, 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 shareholder	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Lam Ho Laam (Notes 1 and 2)	Interest of Corporation Controlled	218,081,714	22.85%
Premier Capital Enterprises Limited (Notes 1 and 2)	Beneficial Owner	218,081,714	22.85%
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	107,306,000	11.24%

Notes:

1. The 218,081,714 shares consist of convertible notes which can be converted into 214,285,714 shares of the Company.
2. Premier Capital Enterprises Limited is a company wholly and beneficially owned by Mr. Lam Ho Laam and Mr. Lam Ho Laam is therefore deemed to be interested in 218,081,714 shares held by Premier Capital Enterprises Limited pursuant to Part XV of the SFO.



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

Save as disclosed above, as at 31 March 2011, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONVERTIBLE NOTES

On 28 March 2011, an aggregate principal amount of HK\$60,000,000 of the convertible notes was issued to Premier Capital Enterprises Limited at the conversion price of HK\$0.28. As at 31 March 2011, an aggregate principal amount of HK\$60,000,000 convertible notes was outstanding.

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

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER A SPECIFIC MANDATE

On 16 February 2011, a sale and purchase agreement (the "Agreement") was entered into between the Company and Mr. Tang Tsz Hoo Anthony, Mr. Chan Chui Man and Mr. Yeung Wai Bo (collectively, the "Vendors") pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell 1,000 shares of Dragon Gain Worldwide Limited ("Dragon Gain") (the "Acquisition") at a consideration of HK\$41,000,000, of which HK\$2,500,000 was paid by the Company in cash on 10 January 2011 pursuant to the memorandum of understanding entered into between Dragon Gain and the Company and HK\$38,500,000 was satisfied by the allotment and issue of the 145,283,018 new shares of the Company (the "Consideration Shares") to the Vendors. On 12 April 2011, an ordinary resolution was passed by the shareholders of the Company to, among others, approve the Agreement and grant a specific mandate to the Directors to issue and allot the Consideration Shares. The completion of Acquisition took place on 18 April 2011 and a total of 145,283,018 Consideration Shares have been issued to the Vendors.



MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION OF UP TO 30% ISSUED SHARE CAPITAL OF GALAXY MOUNT INTERNATIONAL LIMITED AND ADVANCE TO AN ENTITY

On 16 December 2010, the Group entered into a non-binding memorandum (the “MOU”) with an independent third party (the “Prospective Seller”), in respect of the proposed acquisition of up to 30% issued share capital of Galaxy Mount International Limited (“Galaxy Mount”). Galaxy Mount is a company incorporated in the British Virgin Islands with limited liability which owns 100% equity interest in DOXTV Corporation (Beijing) Limited (“Beijing DOXTV”), which in turn owns 100% equity interest in 天天放送(珠海)商貿有限公司 (together with Galaxy Mount, the “Target Group”).

On 6 January 2011, the Company and the Prospective Seller entered into the addendum to the MOU (the “Addendum”), pursuant to which the Company has agreed to pay within seven calendar days from the date of the Addendum, to the Prospective Seller a deposit in the sum of HK\$12,500,000 as refundable deposit (the “First Deposit”) and part payment of the consideration if a formal sale and purchase agreement (the “Definitive Agreement”) is entered into between the Company and the Prospective Seller.

On 26 January 2011, the Company and the Prospective Seller entered into the second addendum to the MOU (the “Second Addendum”), pursuant to which the Company has agreed to pay within seven calendar days from the date of the Second Addendum, to the Prospective Seller a deposit in the sum of HK\$13,500,000 as refundable deposit (the “Second Deposit”), and part payment of the consideration, if the Definitive Agreement is entered into between the Company and the Prospective Seller.


The payment of the Second Deposit, when aggregated with the First Deposit, by the Company to the Prospective Seller constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under the GEM Listing Rules. The payment of the First and Second Deposits also constitutes an advance to an entity for the Company under the GEM Listing Rules.

On 27 April 2011, the Company and the Prospective Seller entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire 25% of the issued share capital of Galaxy Mount at a consideration of HK\$212 million (the “Acquisition”), which will be satisfied as to HK\$46 million in cash and as to HK\$166 million by the issue of the convertible note in the principal amount of HK\$166 million by the Company.

The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules.

As at the date of this report, the Acquisition has not yet completed.

Details of the transaction were published in the announcements of the Company dated 16 December 2010, 6 January 2011, 26 January 2011 and 27 April 2011.



DISCLOSEABLE TRANSACTION RELATING TO THE DISPOSAL OF 65% SHAREHOLDING INTEREST IN, AND LOAN DUE FROM, WISDOM IN HOLDINGS LIMITED

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\$2.3 million.

The Disposed Company is 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.

CONTINUING CONNECTED TRANSACTIONS

On 11 February 2011, Fountain City Holdings Limited (“Fountain City”) (a 51% owned subsidiary of the Company) entered into (i) the lease agreement dated 11 February 2011 with Ms. Bibi Mariam Maria Cordero (“Ms. Cordero”) for the leasing of the premises (the “Premises 1”) for a term of 2 years from 1 March 2011 up to and including 28 February 2013 (the “First Tenancy Agreement”); (ii) the second tenancy agreement dated 11 February 2011 with True Regent International Limited (“True Regent”) for the leasing of another premises (the “Premises 2”) for a term of 2 years from 1 March 2011 up to and including 28 February 2013 (the “Second Tenancy Agreement”); and (iii) the lease agreement (the “Equipment Rental Agreement”) with True Regent for the leasing of certain audio and video equipment and instruments for a term of 2 years from 1 March 2011 up to and including 28 February 2013.

True Regent is a company principally engaged in entertainment business and its entire issued share capital is wholly and beneficially owned by Ms. Cordero and her spouse. Ms. Cordero is the chairman, chief executive officer and a director of Fountain City. Ms. Cordero is also beneficially interested in 50% of the issued share capital of Diwang Limited which is the remaining 49% shareholder of Fountain City. Accordingly, Ms. Cordero and True Regent are connected persons of the Company under the GEM Listing Rules. The transactions contemplated under the First Tenancy Agreement, the Second Tenancy Agreement and the Equipment Rental Agreement therefore constitute continuing connected transactions for the Company under the GEM Listing Rules and shall be aggregated together for the purpose of classification in accordance with Rule 20.25 of the GEM Listing Rules.

Details of the transactions were published in the Company’s announcement dated 11 February 2011.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 6 January 2011, 94,000,000 shares were issued at a price of HK\$0.32 per placing shares by way of top-up placing. On 25 January 2011, 64,000,000 shares were issued at a price of HK\$0.295 per placing shares by way of top-up placing. Save as these, during the three months ended 31 March 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

As at 31 March 2011, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the "Audit Committee") are the review and supervision of the Company's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fung Wai Shing (Chairman), Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the three months ended 31 March 2011.

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

Hong Kong, 12 May 2011

As of the date hereof, the executive Directors are Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Lai Chun Hung; the independent non-executive Directors are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.