



**TLT** LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

Interim Report

2011





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

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

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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 herein or this report misleading.*



## HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$12,426,000 (continuing operation: approximately HK\$12,274,000 and discontinued operation: approximately HK\$152,000) for the six months ended 30 June 2011 (2010: approximately HK\$10,246,000, continuing operation: approximately HK\$9,594,000 and discontinued operation: approximately HK\$652,000), representing an increase of approximately 21% as compared to corresponding period in 2010.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$4,167,000 for the six months ended 30 June 2011 (2010: approximately HK\$14,925,000).
- Basic loss per share for continuing and discontinued operations for the six months ended 30 June 2011 was approximately HK0.36 cents (2010: approximately HK2.28 cents) and loss per share for continuing operation was approximately HK0.31 cents (2010: approximately HK0.67 cents).
- The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

## INTERIM RESULTS (UNAUDITED)

For the six months ended 30 June 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 six months and three months ended 30 June 2011 together with the unaudited comparative figures for the corresponding periods in 2010 (the "Relevant Periods") as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>TURNOVER</b>					
Continuing operations	2	12,274	9,594	5,145	5,592
Discontinued operations		152	652	-	276
		<b>12,426</b>	10,246	<b>5,145</b>	5,868
<b>COST OF SERVICES</b>		<b>(11,404)</b>	(9,253)	<b>(4,710)</b>	(5,371)
<b>GROSS PROFIT</b>		<b>1,022</b>	993	<b>435</b>	497
<b>OTHER INCOME AND GAIN</b>	2	<b>24,698</b>	5	<b>16,753</b>	4
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		<b>(20,518)</b>	(35,511)	<b>(11,313)</b>	(19,407)
<b>FINANCE COSTS</b>	4	<b>(13,322)</b>	4,228	<b>(6,906)</b>	(6,563)
<b>LOSS BEFORE TAXATION</b>	5	<b>(7,064)</b>	(4,490)	<b>(1,031)</b>	(12,748)
Continuing operations		(7,064)	(4,490)	(1,031)	(12,748)
Discontinued operations		(1,056)	(25,795)	-	(12,721)
<b>TAXATION</b>	6	<b>6</b>	4,438	<b>-</b>	2,219
<b>LOSS FOR THE PERIOD</b>		<b>(7,064)</b>	(4,490)	<b>(1,031)</b>	(12,748)
Continuing operations		(7,064)	(4,490)	(1,031)	(12,748)
Discontinued operations		(1,050)	(21,357)	-	(10,502)
		<b>(8,114)</b>	(25,847)	<b>(1,031)</b>	(23,250)
<b>ATTRIBUTABLE TO:</b>					
<b>EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>(4,167)</b>	(14,925)	<b>781</b>	(17,680)
<b>NON-CONTROLLING INTERESTS</b>		<b>(3,947)</b>	(10,922)	<b>(1,812)</b>	(5,570)
<b>LOSS FOR THE PERIOD</b>		<b>(8,114)</b>	(25,847)	<b>(1,031)</b>	(23,250)
<b>EARNING/(LOSS) PER SHARE</b>	8				
For continuing and discontinued operations					
- BASIC		<b>(0.36 cents)</b>	(2.28 cents)	<b>0.06 cents</b>	(2.67 cents)
- DILUTED		<b>(0.36 cents)</b>	(2.28 cents)	<b>0.06 cents</b>	(2.67 cents)
For continuing operations					
- BASIC		<b>(0.31 cents)</b>	(0.67 cents)	<b>0.06 cents</b>	(1.93 cents)
- DILUTED		<b>(0.31 cents)</b>	(0.67 cents)	<b>0.06 cents</b>	(1.93 cents)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(8,114)</b>	(25,847)	<b>(1,031)</b>	(23,250)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX</b>				
EXCHANGED DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	(172)	–	30	–
DISPOSAL OF DISCONTINUED OPERATIONS	17,372	–	17,372	–
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>17,200</b>	–	<b>17,402</b>	–
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD</b>	<b>9,086</b>	(25,847)	<b>16,371</b>	(23,250)
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	490	(14,925)	5,539	(17,680)
NON-CONTROLLING INTERESTS	8,596	(10,922)	10,832	(5,570)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD</b>	<b>9,086</b>	(25,847)	<b>16,371</b>	(23,250)

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		5,554	3,193
Intangible assets	9	292	8,832
Goodwill	10	95,488	25,235
Interests in associates		–	–
Derivative financial instruments		16,817	16,817
		<b>118,151</b>	54,077
<b>Current assets</b>			
Inventories		18	18
Trade and other receivables	11	56,921	9,444
Restricted bank deposits		1,685	1,647
Cash and cash equivalents		3,184	4,049
		<b>61,808</b>	15,158
<b>Current liabilities</b>			
Trade and other payables	12	23,193	42,866
Finance lease payables	13	229	–
		<b>(23,422)</b>	(42,866)
<b>Net current assets/(liabilities)</b>		<b>38,386</b>	(27,708)
<b>Total assets less current liabilities</b>			
		<b>156,537</b>	26,369
<b>Non-current liabilities</b>			
Finance lease payables	13	717	–
Other long-term payables	14	–	36,211
Convertible notes	15	22,950	–
Promissory notes	16	85,606	155,048
Deferred tax liabilities		–	661
		<b>(109,273)</b>	(191,920)
<b>NET ASSETS/(LIABILITIES)</b>		<b>47,264</b>	(165,551)
<b>CAPITAL AND RESERVES</b>			
Share capital	17	15,552	7,964
Reserves		38,075	(152,468)
<b>NON-CONTROLLING INTERESTS</b>		<b>(6,363)</b>	(21,047)
<b>TOTAL EQUITY</b>		<b>47,264</b>	(165,551)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attribution to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Statutory reserve	Asset revaluation reserve	Convertible bond reserve	Share option reserve	Other reserve	Accumulated losses	Total		
	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
Total comprehensive expenses for the period	-	-	-	-	-	-	-	-	(14,925)	(14,925)	(10,922)	(25,847)
Shares issued upon conversion of convertible bonds	35	2,611	-	-	-	(846)	-	-	-	1,800	-	1,800
Cancellation of convertible bonds	-	-	-	-	-	(54,180)	-	-	-	(54,180)	-	(54,180)
Recognition of share-based payment transaction	-	-	-	-	-	-	3,529	-	-	3,529	-	3,529
At 30 June 2010	6,558	322,860	(3,352)	53	95	-	6,021	-	(442,831)	(110,596)	42,231	(68,365)
Total comprehensive expenses for the period	-	-	(563)	-	-	-	-	-	(66,410)	(66,973)	(63,040)	(150,013)
Issue of placing shares	660	19,140	-	-	-	-	-	-	-	19,800	-	19,800
Shares issue costs	-	(561)	-	-	-	-	-	-	-	(561)	-	(561)
Non-controlling interests arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	(194)	(194)
Asset revaluation reserve released upon disposal of property, plant and equipment	-	-	-	-	(95)	-	-	-	95	-	-	-
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	44	-	44	(44)	-
Shares issued upon exercise of share options	205	8,620	-	-	-	-	(1,855)	-	-	6,970	-	6,970
Shares issued for acquisition of subsidiaries	541	26,271	-	-	-	-	-	-	-	26,812	-	26,812
At 31 December 2010	7,964	376,330	(3,915)	53	-	-	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)
Total comprehensive income/(expenses) for the period	-	-	4,657	-	-	-	-	-	(4,167)	490	8,596	9,086
Issue of placing shares	3,230	88,765	-	-	-	-	-	-	-	91,995	-	91,995
Issuance of convertible notes	-	-	-	-	-	12,626	-	-	-	12,626	-	12,626
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,088	6,088
Share issued upon of convertible notes	1,140	30,844	-	-	-	(6,717)	-	-	-	25,267	-	25,267
Share issued for acquisitions of subsidiaries	3,218	64,535	-	-	-	-	-	-	-	67,753	-	67,753
At 30 June 2011	15,552	560,474	742	53	-	5,909	4,166	44	(533,313)	53,627	(6,363)	47,264

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Net cash outflow from operating activities	<b>(72,822)</b>	(2,202)
Net cash inflow/(outflow) from investing activities	<b>2,080</b>	(204)
Net cash inflow from financing activities	<b>70,049</b>	2,155
Net decrease in cash and cash equivalents	<b>(693)</b>	(251)
Cash and cash equivalents at the beginning of period	<b>4,049</b>	(7,092)
Effect of foreign exchange rate changes	<b>(172)</b>	-
Cash and cash equivalents at the end of period	<b>3,184</b>	(7,343)
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	<b>3,184</b>	3,329
Bank overdrafts	<b>-</b>	(10,672)
	<b>3,184</b>	(7,343)





Notes:

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

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

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

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

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

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

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

## 2. Turnover, other income and gain

The Group's turnover comprises from the provision of travel agent services and artist management services. The Group ceased the business of provision of lottery-based mobile on-line game recharging services following the disposal of the subsidiaries on 4 April 2011 as set out in note 7. The amount of each significant category of revenue recognised in turnover during the period is analyzed as follows:

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover				
Continuing operations				
Revenue from travel agent services	11,617	9,594	4,768	5,592
Artist management income	657	–	377	–
Discontinued operations				
Mobile recharging services income	152	652	–	276
Sub-total	12,426	10,246	5,145	5,868
Other income and gain				
Gain on disposal of subsidiaries	16,671	–	16,671	–
Gain on restructuring of promissory notes	7,821	–	–	–
Sundries	206	5	82	4
Sub-total	24,698	5	16,753	4
Total	37,124	10,251	21,898	5,872

### 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 six months ended 30 June 2011 (Unaudited)

	Continuing operations		Discontinued operations	Total HK\$'000
	Travel agent services HK\$'000	Entertainment HK\$'000	Mobile lottery on-line recharging services HK\$'000	
Turnover	11,617	657	152	12,426
Segment results	(500)	(5,906)	(987)	(7,393)
Unallocated items:				
Other income and gain				24,698
Operating and administrative expenses				(12,103)
Finance costs				(13,322)
Loss before taxation				(8,120)
Taxation				6
Loss for the period				(8,114)
Attributable to:				
Equity shareholders of the Company				(4,167)
Non-controlling interests				(3,947)
Loss for the period				(8,114)

### 3. Segmental information (Continued)

(ii) For the six months ended 30 June 2010 (Unaudited)

	Continuing operations		Discontinued operations	
	Travel agent services HK\$'000	Entertainment HK\$'000	Mobile lottery on-line recharging services HK\$'000	Total HK\$'000
Turnover	9,594	–	652	10,246
Segment results	(751)	–	(25,071)	(25,822)
Unallocated items:				
Other income and gain				5
Operating and administrative expenses				(8,696)
Finance costs				4,228
Loss before taxation				(30,285)
Taxation				4,438
Loss for the period				(25,847)
Attributable to:				
Equity shareholders of the Company				(14,925)
Non-controlling interests				(10,922)
Loss for the period				(25,847)

#### 4. Finance costs

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest on convertible notes	843	3,455	843	7
Interest on promissory notes	12,451	11,107	6,044	5,789
Interest on bank advances and other borrowings wholly repayable within five years	-	825	-	767
Interest on finance leases	17	-	17	-
Reversal of interest expense upon cancellation of convertible bonds	-	(19,615)	-	-
Others	11	-	2	-
	<b>13,322</b>	(4,228)	<b>6,906</b>	6,563

#### 5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cost of services	11,404	9,253	4,710	5,371
Amortisation of intangible assets	65	18,102	17	9,051
Depreciation	565	517	90	251
Operating lease charges in respect of property rentals	2,410	1,689	1,267	682
Staff costs including directors' emoluments	7,052	6,820	3,194	3,385
Share based payment	-	3,530	-	3,530

## 6. Taxation

Taxation represents:

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Deferred tax	(6)	(4,438)	-	(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. Discontinued operations

On 30 March 2011, Mega Field International Limited ("Mega Field"), a wholly-owned subsidiary of the Company, the Company (as guarantor of Mega Field) and Mr. Au Chi Kong ("Mr. Au"), an independent third party, entered into the disposal agreement pursuant to which Mr. Au agreed to purchase and Mega Field agreed to sell the 1,300 ordinary shares of US\$1.00 par value each in the issued share capital of Wisdom In Holdings Limited (the "Disposed Company") and the loan due from the Disposed Company to Mega Field for an aggregate consideration of HK\$2,300,000.

The Disposed Company was a 65% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of lottery-based mobile online game recharge service.

The disposal constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

The completion of the disposal took place on 4 April 2011.

Details of the transaction were published in the Company's announcements dated 30 March 2011 and 4 April 2011.

## 8. Earning/(loss) per share

The calculation of the basic loss/earning per share is based on loss/profit attributable to ordinary equity shareholders of the Company for the six months and three months ended 30 June 2011 of HK\$4,167,000 and HK\$781,000 respectively (2010: loss of HK\$14,925,000 and HK\$17,680,000 respectively) and the weighted average of 1,145,398,000 and 1,358,054,000 (2010: 653,863,000 and 662,172,000) ordinary shares respectively in issue during the period.

The diluted loss/earning per share for the period is equal to the basic loss/earning per share as the outstanding convertible bonds and share options were anti-dilutive.

## 9. Intangible assets

As at 30 June 2011, the total amount of intangible assets was HK\$292,000 which was the travel agency licenses. The travel agency licenses represent the right to operate travel agency business within and outside the PRC.

## 10. Acquisitions of subsidiaries

On 18 April 2011 and 1 June 2011, the acquisitions of 100% issued share capital of Dragon Gain Worldwide Limited and Solution Gold Limited were completed respectively. The amount of the goodwill arising as a result of the acquisitions was approximately HK\$70,253,000. Details of the transactions were disclosed in the Company's circular and announcement dated 25 March 2011 and 25 May 2011 respectively.

## 11. Trade and other receivables

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Trade debtors	183	220
Amount due from a non-controlling interest holder	10	10
Amount due from affiliated companies of a non-controlling interest holder	17	17
Other receivables	2,625	3,500
Rental and other deposits	51,842	2,760
	<b>54,677</b>	6,507
Loans and receivables	2,244	2,937
Prepayments	<b>56,921</b>	9,444

### Ageing analysis

The ageing analysis of trade debtors at the balance sheet date is as follows:

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Within 1 month	4	101
More than 1 month but within 3 months	26	119
More than 3 months but within 6 months	12	-
More than 6 months	141	-
	<b>183</b>	220

## 12. Trade and other payables

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Trade creditors ( <i>note (a)</i> )	475	334
Accrued charges	5,786	10,423
Payables for acquisition of property, plant and equipment	511	1,169
Short-term loan payables	500	4,159
Amounts due to directors	1,629	16,610
Amounts due to related persons	10,710	6,184
Deposits	400	–
Other taxes and government surcharges payables	10	16
	<b>20,021</b>	38,895
Financial liabilities measured at amortised cost	<b>20,021</b>	38,895
Receipts in advance ( <i>note (b)</i> )	3,172	3,971
	<b>23,193</b>	42,866

(a) *Ageing analysis*

The ageing analysis of trade creditors at the balance sheet date is as follows:

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Within 1 month	16	156
More than 1 month but within 3 months	103	178
More than 3 months but within 6 months	37	–
More than 6 months	319	–
	<b>475</b>	334

(b) The amounts represent prepaid advertising fees and other service income from customers, for which the related services are expected to be rendered within one year.



### 13. Finance lease payables

The Group leases certain of its motor vehicles for its business. These leases are classified as finance leases and have remaining lease terms for four years.

At 30 June 2011, the total future minimum lease payments under finance leases and their present values were as follows:

	<b>Minimum lease payments As at 30 June 2011 HK\$'000 (Unaudited)</b>	Minimum lease payments As at 31 December 2010 HK\$'000 (Audited)	<b>Present value of minimum lease payments As at 30 June 2011 HK\$'000 (Unaudited)</b>	Present value of minimum lease payments As at 31 December 2010 HK\$'000 (Audited)
Amounts payable:				
Within one year	285	–	229	–
In the second year	285	–	246	–
In the third to fifth years, inclusive	499	–	471	–
<b>Total minimum finance lease payments</b>	<b>1,069</b>	–	<b>946</b>	–
Future finance charges	(123)	–		
<b>Total net finance lease payables</b>	<b>946</b>	–		
Portion classified as current liabilities	(229)	–		
Non-current portion	717	–		

### 14. Other long-term payables

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Amounts due to a non-controlling interest holders	–	36,211
Financial liabilities measured at amortised cost	–	36,211

## 15. 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 with the maturity date falling on the second anniversary of the date of the issue of the convertible notes.

The convertible notes contain two components, the liability and the equity components. The equity component is presented in equity as a “convertible bond reserve”. The effective interest rate of the liability component is approximately 14.14%.

The movement of the liability component of the convertible notes for the period is set out below:

	<b>HK\$'000 (Unaudited)</b>
Proceeds from issuance of the convertible notes	<b>60,000</b>
Equity component	<b>(12,626)</b>
Liability component at date of issue	<b>47,374</b>
Interest charge	<b>843</b>
Conversion of convertible notes during the period	<b>(25,267)</b>
Carrying amount at 30 June 2011	<b>22,950</b>

## 16. Promissory notes

On 15 February 2011, the Company entered into the agreement to restructure the zero coupon promissory note dated 3 December 2010 issued by the Company in the aggregate amount of HK\$183,541,942 due and repayable on 8 January 2012 (the “Existing Promissory Note”) with Premier Capital Enterprises Limited, which is the holder of the Existing Promissory Note and beneficially wholly-owned by Mr. Lam Ho Laam (the “PN Holder”). Pursuant to the agreement, the parties conditionally agreed that (i) a principal amount of HK\$61,855,670 outstanding under the Existing Promissory Note shall be early repaid by the Company by way of issue of the convertible note in an aggregate principal amount of HK\$60,000,000 to the PN Holder; and (ii) the remaining principal amount outstanding under the Existing Promissory Note shall be settled by the Company issuing the new zero coupon promissory note to PN Holder having the same terms and conditions of the Existing Promissory Note other than (a) the principal amount shall be the difference of the outstanding principal amount of the Existing Promissory Note immediately prior to completion of the restructuring of the Existing Promissory Note and the part of the outstanding principal amount of the Existing Promissory Note in the sum of HK\$61,855,670 which has been early repaid by the Company by way of issue of the convertible note (the “Early Repayment Amount”) and (b) the maturity date shall be 8 January 2013 instead of 8 January 2012. The principal amount of the convertible note of HK\$60,000,000 represents a discount of 3% to the Early Repayment Amount which is determined in accordance with the early repayment terms of the Existing Promissory Note. The restructuring of the Existing Promissory Note was completed on 28 March 2011.

## 17. Share capital

	As at 30 June 2011		As at 31 December 2010	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
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
Issue of placing shares	323,000	3,230	66,000	660
Shares issued for acquisitions of subsidiaries	321,753	3,218	54,166	541
Shares issued upon conversion of convertible notes	114,000	1,140	3,500	35
Shares issued upon exercise of share options	-	-	20,500	205
At the end of period	1,555,177	15,552	796,424	7,964

## 18. Capital commitments

The Group's capital commitments outstanding at 30 June 2011 not provided for in the financial statements were as follows:

	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
Contracted but not provided for	-	484

**19. Operating lease commitments**

As at 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	As at 31 December 2010 HK\$'000 (Audited)
Within 1 year	<b>2,729</b>	5,879
Within 5 years and after 1 year	<b>9,709</b>	12,215
After 5 years	<b>9,478</b>	9,478
	<b>21,916</b>	27,572

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 5 years. The leases did not include extension options. None of the leases includes contingent rentals.

**20. Interim dividend**

The Directors do not recommend any payment of dividend nor transfer of any amount to reserve for the six months ended 30 June 2011 (2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Turnover*

The unaudited consolidated turnover of the Group for the six months ended 30 June 2011 was approximately HK\$12,426,000 (2010: approximately HK\$10,246,000) representing an increase of 21% over the corresponding period in 2010.

#### *Gross profit*

The gross profit was approximately HK\$1,022,000 (2010: approximately HK\$993,000).

#### *Loss attributable to equity shareholders*

The loss attributable to equity shareholders of the Company was approximately HK\$4,167,000 for the six months ended 30 June 2011 (2010: approximately HK\$14,925,000).

#### *Basic loss per share*

For the six months ended 30 June 2011, basic loss per share was approximately HK0.36 cents (2010: approximately HK2.28 cents).

#### *Balance Sheet*

As at 30 June 2011, the net assets of the Group amounted to approximately HK\$47,264,000 (31 December 2010: net liabilities approximately HK\$165,551,000). Current assets amounted to approximately HK\$61,808,000 (31 December 2010: approximately HK\$15,158,000), of which approximately HK\$4,869,000 (31 December 2010: approximately HK\$5,696,000) were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$109,273,000 (31 December 2010: approximately HK\$191,920,000) and its current liabilities amounted to approximately HK\$23,422,000 (31 December 2010: approximately HK\$42,866,000), of which trade payables and other payables amounted to approximately HK\$23,193,000 (31 December 2010: approximately HK\$42,866,000).

#### *Net cash outflow from operating activities*

The Group recorded a net cash outflow from operating activities of approximately HK\$72,822,000 during the six months ended 30 June 2011 compared with a net cash outflow from operating activities of approximately HK\$2,202,000 during the corresponding period in 2010. The increase of the net cash outflow from operating activities was mainly due to the deposits of HK\$46,000,000 was paid for the acquisition of 25% issued capital of Galaxy Mount International Limited (the "Acquisition") during the period but the Acquisition was terminated on 5 August 2011.



### *Liquidity and financial resources*

The Group had cash and bank balance of approximately HK\$4,869,000 as at 30 June 2011.

The management of the Company will continue to make great effort to improve the liquidity condition including tightening cost control, expanding current businesses, securing additional banking facilities or raising funds from the capital market. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 2% (31 December 2010: Nil).

### *Foreign currency risk*

Since most of the transactions, income and expenditure, bank loan and other borrowings of the Group are denominated in Hong Kong dollars and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented during the six months ended 30 June 2011 as the Board considers that the potential foreign exchange exposure of the Group is limited.

### *Contingent liabilities*

As at 30 June 2011, the Group had no material contingent liabilities (31 December 2010: Nil).

### *Capital structure*

During the period, there were a total of HK\$31,920,000 convertible notes converted into 114,000,000 ordinary shares, a total of 323,000,000 shares were issued under placing agreements and 321,753,000 consideration shares were issued.

## **Employees and Remuneration Policy**

The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2011 amounted to approximately HK\$7,000,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.



## **Operational Review and Prospect**

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.

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 to retreat from the MLO business 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, 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 performance will be launched in the fourth quarter 2011.

The existing entertainment business of entertainment progress, events organisation, TV-series production is still developing but in a slow pace. Regarding the artist training school, it is expected to commence course enrollment in September 2011.

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

As at 30 June 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 Directors	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. Cheung Man Yau, Timothy	Beneficial Owner	–	6,500,000 (Note)	0.42%
Mr. Chan Kin Yip	Beneficial Owner	1,000,000	5,000,000 (Note)	0.39%
Mr. Sung Wai Tak, Herman	Beneficial Owner	–	500,000 (Note)	0.03%
Mr. Wong Lit Chor, Alexis	Beneficial Owner	–	500,000 (Note)	0.03%
Mr. Fung Wai Shing	Beneficial Owner	–	500,000 (Note)	0.03%

Note:

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 30 June 2011.

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

Save as disclosed above, as at 30 June 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 of the Company. The Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

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

Details of the movements in the share options granted to various Directors and employees of the Group and exercised during the six months ended 30 June 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 30 June 2011
<b>Directors</b>										
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
<b>Other Employees</b>	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	3,800,000	-	-	(2,300,000)	-	1,500,000
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	9,500,000	-	-	(1,000,000)	-	8,500,000
<b>In aggregate</b>					28,300,000	-	-	(5,300,000)	-	23,000,000

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option schemes referred to above, at no time during the six months ended 30 June 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 six months ended 30 June 2011.

## SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 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:

<b>Name of shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares/ underlying shares held</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	233,730,000	15.03%
Mr. Lam Ho Laam (Notes 1 and 2)	Interest of Corporation Controlled	104,081,714	6.69%
Premier Capital Enterprises Limited (Notes 1 and 2)	Beneficial Owner	104,081,714	6.69%



*Notes:*

1. The 104,081,714 shares consist of convertible notes which can be converted into 100,285,714 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 104,081,714 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 30 June 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 or 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 with the maturity date falling on the second anniversary of the date of the issue of the convertible notes. During the six months ended 30 June 2011, an aggregate principal amount of HK\$31,920,000 of the convertible note has been converted into 114,000,000 ordinary shares of the Company. As at 30 June 2011, an aggregate principal amount of HK\$28,080,000 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**

- (1) On 16 February 2011, a sale and purchase 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 “Dragon Gain 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 to the Vendors. On 12 April 2011, an ordinary resolution was passed by the shareholders of the Company to, among others, approve the agreement above and grant a specific mandate to the Directors to issue and allot the consideration shares. The completion of Dragon Gain Acquisition took place on 18 April 2011 and a total of 145,283,018 consideration shares have been issued to the Vendors.
  
- (2) On 25 May 2011, the Company and Mr. Lui Bing Kin, Michael (“Mr. Lui”) entered into the sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase (or procure the purchase of), and Mr. Lui has agreed to sell, the entire share capital of the Solution Gold Limited (the “Solution Gold Acquisition”) for an aggregate consideration of HK\$30,000,000, which shall be satisfied by allotment and issue of 176,470,588 new shares of the Company under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 May 2011, credited as fully paid, to Mr. Lui. The completion of Solution Gold Acquisition took place on 1 June 2011 at which a total of 176,470,588 consideration shares have been allotted and issued to Mr. Lui and his nominees pursuant to the terms of the above agreement.

## **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 25% ISSUED SHARE CAPITAL OF GALAXY MOUNT INTERNATIONAL LIMITED**

On 27 April 2011, the Company and the prospective seller entered into a sale and purchase agreement as a potential investment opportunity in the entertainment and media industry. Pursuant to the agreement, the Company has conditionally agreed to acquire 25% of the issued share capital of Galaxy Mount International Limited at a consideration of HK\$212,000,000 (the “Galaxy Mount Acquisition”).

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



In view of the prolong time required to obtain the relevant financial information of the target group and there is no concrete schedule when the relevant financial information is made available to the Group, the Company and the prospective seller mutually agreed to terminate the agreement by entering into the termination agreement on 5 August 2011. The Company and the prospective seller have waived their respective rights under the sale and purchase agreement and released the other party from further performance of its/his obligations under the sale and purchase agreement. Pursuant to the termination agreement, the prospective seller shall return the deposits of HK\$46,000,000, unsecured and without interest, in cash to the Company.

Details of the transaction were published in the announcements of the Company dated 16 December 2010, 6 January 2011, 26 January 2011, 27 April 2011 and 5 August 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\$2,300,000.

The Disposed Company was a 65% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of lottery-based mobile online game recharge service.

The Disposal constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

The completion of the Disposal took place on 4 April 2011.

Details of the transaction were published in the Company’s announcements dated 30 March 2011 and 4 April 2011.



## **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 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 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**

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities except (i) the issue of 94,000,000 shares at a price of HK\$0.32 per placing shares by way of top-up placing on 6 January 2011; (ii) the issue of 64,000,000 shares at a price of HK\$0.295 per placing shares by way of top-up placing on 25 January 2011; (iii) the issue of 100,000,000 shares at a price of HK\$0.295 per placing shares by way of top-up placing on 13 April 2011; (iv) the issue of 65,000,000 shares at a price of HK\$0.245 per placing shares by way of top-up placing on 12 May 2011; and (v) the issue of 321,753,606 consideration shares as disclosed under the section “Discloseable Transaction Involving Issue of Consideration Shares”.



## **COMPETING INTERESTS**

As at 30 June 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 Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fung Wai Shing (Chairman), Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30 June 2011.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") to Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2011 except for the code provisions A.2.1, A.4.1 and E.1.2 of the CG Code, as set out below.

According to code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the six months ended 30 June 2011, the roles of the chairman and the chief executive officer were segregated and performed by Mr. Wong Wai Sing and Mr. Cheung Man Yau, Timothy respectively until the resignation of Mr. Wong Wai Sing as the chairman on 31 May 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.



According to code A.4.1 of the CG Code, non-executive directors should be appointed for a specific term of service. None of the independent non-executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and offers themselves for re-election in accordance with the articles of association of the Company.

According to code E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting of the Company. Mr. Wong Wai Sing, the chairman of the Board, was unable to attend the Company's 2011 annual general meeting held on 9 May 2011 due to urgent business engagement but he has appointed Mr. Cheung Man Yau, Timothy to act as his representative at the said meeting.

By order of the Board  
**TLT Lottotainment Group Limited**  
**Cheung Man Yau, Timothy**  
*Chief Executive Officer and Executive Director*

Hong Kong, 11 August 2011

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