



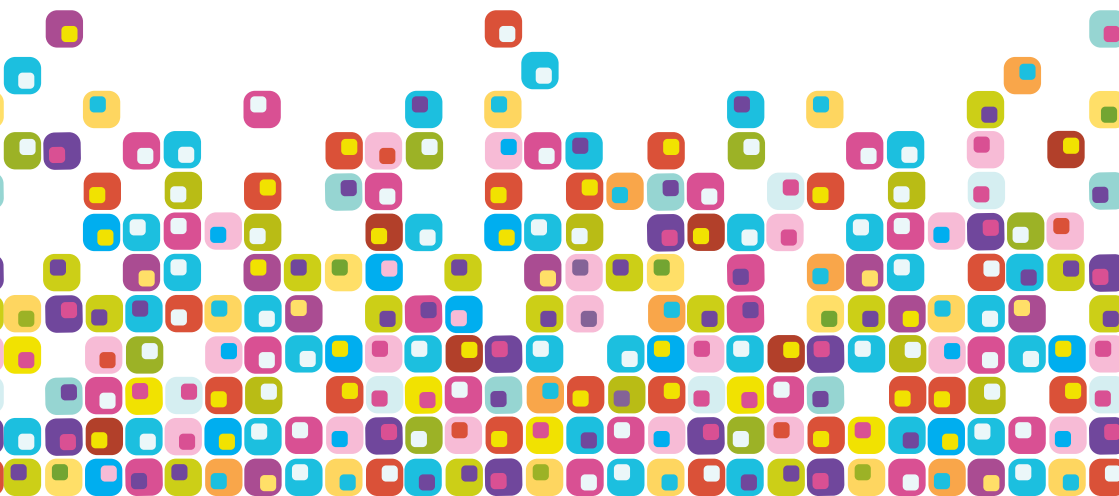
DRAGONLOTT ENTERTAINMENT GROUP LIMITED

龍彩娛樂集團有限公司

(Incorporated in Bermuda with limited liability)

(GEM Stock Code: 8078)

Third Quarterly Report 2009-2010



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This report, for which the directors of Dragonlott Entertainment Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, 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.

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MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported revenue from continuing and discontinued operations of approximately HK\$117.5 million for the nine months ended 31st March, 2010 (the “Nine-month Period”), compared with approximately HK\$134.4 million for the corresponding period a year ago. A loss of approximately HK\$48.2 million was recorded (2009: HK\$47.4 million).

During the Nine-month Period, artiste management contributed revenue of approximately HK\$30.7 million (2009: HK\$38.1 million) and recorded a profit of approximately HK\$16.8 million (2009: HK\$12.7 million). In addition, the Group received revenue of approximately HK\$44.5 million (2009: HK\$63.8 million) from the business segment of film and television programme production and distribution. This business segment recorded a loss of approximately HK\$45.1 million (2009: HK\$46.6 million).

On 19th March, 2010, the Group disposed of EEG Holdings Limited and its subsidiaries (collectively referred to as the “EEG Holdings Group”) which carried out the businesses of event production, music production and distribution as well as part of the artiste management and film production, distribution and licensing. After such disposal, the Group ceased the businesses of event production and music production and distribution. Moreover, the Company changed its name from “Emperor Entertainment Group Limited” to “Dragonlott Entertainment Group Limited” with effect from 7th April, 2010.

During the review period up to the date of disposal, event production contributed revenue of approximately HK\$12.6 million (2009: HK\$7.2 million) and recorded a loss of approximately HK\$2.5 million (2009: HK\$3.1 million), and music production and distribution contributed revenue of approximately HK\$29.7 million (2009: HK\$25.3 million) and recorded a loss of approximately HK\$0.6 million (2009: profit of HK\$2.3 million).

PROSPECTS

The Group entered a new phase of development after the Nine-month Period. With the disposal of the EEG Holdings Group, film and television programme production and distribution is the only remaining major business segment.

Looking forwards, the Group will explore opportunities in developing business in relation to sports lottery in China, while strengthening its existing operations and enhancing cost efficiency and profitability. The Group will look for new business opportunities and investments so as to diversify its business and strengthen its income base.

RESULTS

The board of directors of the Company (the "Board") announces the unaudited consolidated results of the Group for the three months ended 31st March, 2010 (the "Quarterly Period") and the Nine-month Period together with the comparative figures for the corresponding periods in 2009 as set out below.

	Notes	Three months ended 31st March,		Nine months ended 31st March,	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) HK\$'000
Continuing operations					
Revenue	2	14,396	50,198	75,237	101,910
Other income		685	2,406	4,080	3,908
Cost of film and television programme production and distribution		(8,928)	(41,493)	(70,971)	(97,425)
Selling and distribution costs		(2,955)	(1,804)	(9,027)	(14,824)
Administrative expenses		(12,213)	(9,073)	(32,374)	(30,353)
Finance costs		(3,958)	(2,058)	(12,804)	(7,087)
Share of results of a jointly controlled entity		8	(92)	862	363
Loss before taxation		(12,965)	(1,916)	(44,997)	(43,508)
Taxation	3	(453)	(3,136)	(1,231)	(3,174)
Loss for the period from continuing operations		(13,418)	(5,052)	(46,228)	(46,682)
Discontinued operations					
(Loss) profit for the period from discontinued operations	4	(959)	68	(2,016)	(767)
Loss for the period		(14,377)	(4,984)	(48,244)	(47,449)
Other comprehensive income:					
Transfer to profit or loss on disposal of subsidiaries		(1,129)	-	(1,129)	-
Exchange differences on translation of foreign operations		(12)	9	36	1,390
Share of change in equity of a jointly controlled entity		-	3	2	229
Total comprehensive income for the period		(15,518)	(4,972)	(49,335)	(45,830)

RESULTS (Continued)

	Note	Three months ended 31st March,		Nine months ended 31st March,	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) HK\$'000
Loss for the period attributable to:					
Owners of the Company		(14,377)	(4,984)	(48,244)	(47,449)
Non-controlling interests		-	-	-	-
		(14,377)	(4,984)	(48,244)	(47,449)
Total comprehensive income attributable to:					
Owners of the Company		(15,518)	(4,972)	(49,335)	(45,830)
Non-controlling interests		-	-	-	-
		(15,518)	(4,972)	(49,335)	(45,830)
Loss per share	5				
From continuing and discontinued operations					
– basic		HK cents (4.32)	HK cents (1.92)	HK cents (16.99)	HK cents (18.25)
– diluted		HK cents (2.87)	N/A	HK cents (12.05)	N/A
From continuing operations					
– basic		HK cents (4.03)	HK cents (1.94)	HK cents (16.28)	HK cents (17.95)
– diluted		HK cents (2.65)	N/A	HK cents (11.47)	N/A

NOTES

1. Basis of Preparation and Significant Accounting Policies

The unaudited consolidated results of the Group have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The amounts included in the unaudited consolidated results are computed based on all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”)

In preparing the unaudited consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net liabilities of HK\$1,579,000 as at 31st March, 2010. As the Group generates cash flow from its operation and Surplus Way Profits Limited (“Surplus Way”), the immediate holding company, agreed not to demand repayment of the amount due to it for at least the next twelve months from the date of this report or until the Group has the ability to repay the amount, whichever is the later, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital. Accordingly, the unaudited consolidated financial statements have been prepared on a going concern basis.

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which were measured at fair values on initial recognition.

In the Nine-month Period, the Group had adopted certain new HKFRSs, amendments and interpretations (collectively referred to as “new HKFRSs”), issued by the HKICPA that are effective for accounting periods beginning on or after 1st July, 2009. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these unaudited consolidated financial statements as were applied in the preparation of the Group’s annual financial statements for the year ended 30th June, 2009.

1. Basis of Preparation and Significant Accounting Policies (Continued)***HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations***

In HKFRS 5, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition (note 4).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

The combined results of the discontinued operations (i.e. event production and music production and distribution businesses) are separately shown in the unaudited consolidated statement of comprehensive income and its comparative figures are re-presented to include those operations classified as discontinued in the current period.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

NOTES (Continued)

2. Revenue

An analysis of the Group's revenue is as follows:

	Three months ended		Nine months ended	
	31st March,		31st March,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Continuing operations				
Artiste management fee income	10,369	5,348	30,694	38,136
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	3,756	44,006	43,880	62,277
– distribution of films and television programmes	271	844	663	1,497
	4,027	44,850	44,543	63,774
	14,396	50,198	75,237	101,910
Discontinued operations				
Event production				
– gross revenue of self-organised events	–	–	2,527	5,617
– share of (loss) income from jointly organised events	(472)	(3,743)	1	(3,865)
– income from provision of event production services	4,549	1,500	10,059	5,496
	4,077	(2,243)	12,587	7,248
Music production and distribution				
– sales of albums	3,376	2,415	9,361	9,677
– licence income	4,445	2,637	15,443	11,278
– multimedia income	1,006	2,200	4,875	4,276
	8,827	7,252	29,679	25,231
	12,904	5,009	42,266	32,479
	27,300	55,207	117,503	134,389

3. Taxation

The charges for the periods represent Hong Kong Profit Tax calculated at 16.5% of the estimated assessable profits for these periods.

No provision for income tax in respect of operations in overseas has been made as the Group has no assessable profits in the respective jurisdictions for these periods.

4. Discontinued Operations

On 16th December, 2009, the Group entered into an agreement to dispose of the entire interests in the EEG Holdings Group, which carried out the businesses of event production, music production and distribution as well as part of the artiste management and film and television programme production, distribution and licensing, to Gain Wealth Investments Limited, a fellow subsidiary of the substantial shareholder of the Company. Such disposal was completed on 19th March 2010, ("Date of Disposal"), on which date control of the EEG Holdings Group passed to Gain Wealth Investments Limited.

After the disposal of the EEG Holdings Group, the Group ceased the businesses of event production and music production and distribution (i.e. discontinued operations). The (loss) profit from the discontinued operations are analysed as follows:

	1.1.2010- 19.3.2010	1.1.2009- 31.3.2009	1.7.2009- 19.3.2010	1.7.2008- 31.3.2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	12,904	5,009	42,266	32,479
Other income	(518)	573	3,115	4,004
Cost of self-organised events	-	-	(3,779)	(4,436)
Cost of provision of event production services	(3,892)	(965)	(8,511)	(3,291)
Cost of music production and distribution	(4,290)	(497)	(17,521)	(11,083)
Selling and distribution costs	(261)	(278)	(901)	(903)
Administrative expenses	(6,031)	(3,774)	(17,814)	(17,537)
	(2,088)	68	(3,145)	(767)
(Loss) profit for the period	(2,088)	68	(3,145)	(767)
Gain on disposal of subsidiaries	1,129	-	1,129	-
	(959)	68	(2,016)	(767)

NOTES (Continued)

4. Discontinued Operations (Continued)

The net liabilities of the EEG Holdings Group at the Date of Disposal were as follows:

	As at 19th March, 2010 (Unaudited) HK\$'000
Property, plant and equipment	546
Interests in jointly controlled entities	2,275
Prepayments and other receivables – non-current portion	8,300
Prepayments and other receivables – current portion	16,345
Film rights	24,992
Inventories and record masters	3,153
Trade receivables	15,710
Loan to a jointly controlled entity	6,138
Bank balances and cash	10,323
Trade payables	(7,019)
Other payables and accrued charges	(71,367)
Taxation payable	(1,805)
Intercompany current account	(40,311)
	(32,720)
Assignment of intercompany debt	40,311
Translation reserve realised	(1,129)
Gain on disposal of subsidiaries	1,129
	7,591
Total consideration	7,591
Satisfied by:	
Cash	7,591
Net cash outflow arising on disposal of subsidiaries:	
Cash consideration received	7,591
Cash and cash equivalent disposed of	(10,323)
	(2,732)

5. Loss per Share

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 31st March,		Nine months ended 31st March,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Loss				
Loss for the purpose of calculating basic loss per share	(14,377)	(4,984)	(48,244)	(47,449)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (net of tax)	1,821		6,637	
Loss for the purpose of calculating diluted loss per share	(12,556)		(41,607)	
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	332,726,982	260,000,000	283,888,425	260,000,000
Effect of dilutive potential ordinary shares: Convertible bonds	104,285,714		61,277,372	
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	437,012,696		345,165,797	

NOTES (Continued)

5. Loss per Share (Continued)

From continuing operations

The calculation of the basic and diluted loss per share from the continuing operations attributable to the owners of the Company is based on the following data:

	Three months ended 31st March,		Nine months ended 31st March,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	(14,377)	(4,984)	(48,244)	(47,449)
Less: (Loss) profit for the period from the discontinued operations	(959)	68	(2,016)	(767)
Loss for the purpose of calculating basic loss per share from the continuing operations	(13,418)	(5,052)	(46,228)	(46,682)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (net of tax)	1,821		6,637	
Loss for the purpose of calculating diluted loss per share from the continuing operations	(11,597)		(39,591)	

From discontinued operations

Basic and diluted loss per share from the discontinued operations for the Quarterly Period are HK cent 0.29 (2009: earnings of HK cent 0.02) and HK cent 0.22 (2009: n/a) respectively, based on the loss for the same period from the discontinued operations of approximately HK\$959,000 (2009: profit HK\$68,000). Basic and diluted loss per share from the discontinued operations for the Nine-month Period are HK cent 0.71 (2009: HK cent 0.30) and HK cent 0.58 (2009: n/a) respectively, based on the loss for the same period from the discontinued operations of approximately HK\$2,016,000 (2009: HK\$767,000).

The denominators used are the same as those detailed above for both basic and diluted loss per share from the continuing and discontinued operations.

Diluted loss per share for the three months and the nine months ended 31st March, 2009 have not been presented as the Company had no dilutive potential ordinary shares for that periods.

6. Capital and Reserves

	Attributable to owners of the Company								Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible bond equity			Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		
				reserve	Special reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000				
At 1st July, 2008	2,600	105,614	83,783	-	75,000	1,389	(248,657)	19,729	(1,941)	17,788
Loss for the period	-	-	-	-	-	-	(47,449)	(47,449)	-	(47,449)
Exchange differences on translation of foreign operations	-	-	-	-	-	1,390	-	1,390	-	1,390
Share of changes in equity of a jointly controlled entity	-	-	-	-	-	229	-	229	-	229
Total comprehensive income for the period	-	-	-	-	-	1,619	(47,449)	(45,830)	-	(45,830)
At 31st March, 2009	2,600	105,614	83,783	-	75,000	3,008	(296,106)	(26,101)	(1,941)	(28,042)
At 1st July, 2009	2,600	105,614	83,783	-	75,000	2,971	(313,942)	(43,974)	(1,941)	(45,915)
Loss for the period	-	-	-	-	-	-	(48,244)	(48,244)	-	(48,244)
Transfer to profit or loss on disposal of subsidiaries	-	-	-	-	-	-	(1,129)	(1,129)	-	(1,129)
Exchange differences on translation of foreign operations	-	-	-	-	-	36	-	36	-	36
Share of changes in equity of a jointly controlled entity	-	-	-	-	-	2	-	2	-	2
Total comprehensive income for the period	-	-	-	-	-	(1,091)	(48,244)	(49,335)	-	(49,335)
Issue of shares	906	54,485	-	-	-	-	-	55,391	-	55,391
Recognition of equity component of convertible bond	-	-	-	38,280	-	-	-	38,280	-	38,280
Transfer upon conversion of convertible bonds	-	10,336	-	(10,336)	-	-	-	-	-	-
At 31st March, 2010	3,506	170,435	83,783	27,944	75,000	1,880	(362,186)	362	(1,941)	(1,579)

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Nine-month Period (2009: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March, 2010, the interests and short positions of the directors and chief executives of the Company 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 ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares/underlying shares of associated corporations

Name of director	Name of associated corporation	Nature of interests	Number of ordinary share(s)/ underlying shares held	Approximate percentage holding
Ms. Fan Man Seung, Vanessa	Emperor International Holdings Limited ("EIHL")	Beneficial	15,000,000 (Note 1)	0.51%
Ms. Fan Man Seung, Vanessa	Emperor Entertainment Hotel Limited ("EEH")	Beneficial	5,000,000 (Note 2)	0.39%

Notes:

1. Share options granted to the director under the share option scheme of EIHL.
2. Share options granted to the director under the share option scheme of EEH.

Save as disclosed above, as at 31st March, 2010, none of the directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors as referred to in Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption on 26th August, 2004 and became effective on 11th November, 2004 and valid for the next ten years.

The Company had not granted any option under the Share Option Scheme since its adoption.

As at 31st March, 2010, the Company had not granted any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or their spouse or children under 18 years of age.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as known to the directors of the Company, as at 31st March, 2010, the persons or corporations (other than the directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares/underlying shares held	Approximate percentage holding
Surplus Way <i>(Note)</i>	Beneficial owner	207,919,714	59.31%
Million Way Holdings Limited ("Million Way") <i>(Note)</i>	Interest in a controlled corporation	207,919,714	59.31%
STC International Limited ("STC International") <i>(Note)</i>	Trustee	207,919,714	59.31%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") <i>(Note)</i>	Founder of trust	207,919,714	59.31%
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") <i>(Note)</i>	Family	207,919,714	59.31%
Ms. Mak Siu Hang, Viola	Interest in a controlled corporation	24,285,715	6.93%
VMS Investment Group Limited	Beneficial owner	24,285,715	6.93%
Everleap Limited	Beneficial owner	32,900,000	9.38%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Long positions in shares of the Company (Continued)

Note: The 207,919,714 shares refer to (a) 183,634,000 shares held by Surplus Way and (b) 24,285,714 conversion shares assuming full exercise of the convertible bond of the Company held by Surplus Way. The entire issued share capital of Surplus Way was held by Million Way which was in turn wholly-owned by STC International being the trustee of The Albert Yeung Discretionary Trust (the "AY Trust"). Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the said shares held by Surplus Way. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.

Save as disclosed above, as at 31st March, 2010, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% 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 member of the Group or held any option in respect of such capital.

COMPETING INTERESTS

The AY Trust, a discretionary trust set up by Dr. Albert Yeung, a management shareholder of the Company (as defined in the GEM Listing Rules), indirectly held 50% of the shareholding of JCE Movies Limited ("JCE"), a company engaged in the production and distribution of movies. The Trust also indirectly held 100% interest in Prime Time (International) Entertainment Limited ("Prime Time"), a company engaged in the business of television programme production and artiste management. The businesses of JCE and Prime Time may constitute competition with the business of the Group.

Save as disclosed above, the directors of the Company believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

REVIEW OF THIRD QUARTERLY RESULTS

The unaudited results of the Group for the Nine-month Period have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but have been reviewed by the Audit Committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee currently comprises two Independent Non-executive Directors of the Company, namely Mr. Wong Tak Ming, Gary and Ms. Leung Ge Yau.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Nine-month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Dragonlott Entertainment Group Limited
Tsang Pui Lan, Patrick
Executive Director

Hong Kong, 12th May, 2010

As at the date hereof, the Board comprised:

Executive Directors:

Mr. Tsang Pui Lan, Patrick
Ms. Fan Man Seung, Vanessa

Independent Non-executive Directors:

Mr. Wong Tak Ming, Gary
Ms. Leung Ge Yau

Non-executive Director:

Mr. Leung Yuk Lun, Ulric