



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022



马金彩 兴开
即开即送

还有大奖



INTERIM REPORT 2010



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This report, for which the directors of TLT Lottotainment Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to TLT Lottotainment Group Limited. The directors of TLT Lottotainment Group Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



INTERIM RESULTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$10,246,000 (continuing operation: HK\$10,246,000 and discontinued operation: NIL) for the six months ended 30 June 2010 (2009: approximately HK\$105,220,000, continuing operation: HK\$8,840,000 and discontinued operation: HK\$96,380,000), representing a decrease of approximately 90% as compared with the turnover for the corresponding period in 2009 due to the disposal of public transportation business on 30 June 2009.
- Loss from ordinary activities attributable to equity holders of the Company of approximately HK\$14,925,000 for the six months ended 30 June 2010 (2009: HK\$57,571,000).
- Basic loss per share for continuing and discontinued operation for the six months ended 30 June 2010 was approximately HK2.28 cents (2009: HK14.58 cents) and loss per share for continuing operation was HK2.28 cents (2009: HK12.70 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).



INTERIM RESULTS

For the six months ended 30 June 2010 (Unaudited)

The board (the "Board") of directors (the "Directors") of TLT Lottotainment Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2010 together with the comparative unaudited figures for the corresponding periods in 2009 (the "Relevant Periods") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
TURNOVER	2				
Continuing operation		10,246	8,840	5,868	4,158
Discontinued operation		–	96,380	–	50,189
		10,246	105,220	5,868	54,347
COST OF SERVICES		(9,253)	(108,672)	(5,371)	(57,333)
GROSS PROFIT/(LOSS)		993	(3,452)	497	(2,986)
OTHER NET INCOME	2	5	16,404	4	8,950
ADMINISTRATIVE EXPENSES		(35,511)	(64,219)	(19,407)	(31,741)
FINANCE COSTS	5	4,228	(31,007)	(6,563)	(15,308)
(LOSS) BEFORE TAXATION	4				
Continuing operation		(30,285)	(70,553)	(25,469)	(34,228)
Discontinued operation		–	(11,721)	–	(6,857)
TAXATION	6	4,438	–	2,219	–
(LOSS) FOR THE PERIOD					
Continuing operation		(25,847)	(70,553)	(23,250)	(34,228)
Discontinued operation		–	(11,721)	–	(6,857)
		(25,847)	(82,274)	(23,250)	(41,085)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY		(14,925)	(57,571)	(17,680)	(27,649)
NON-CONTROLLING INTERESTS		(10,922)	(24,703)	(5,570)	(13,436)
		(25,847)	(82,274)	(23,250)	(41,085)
LOSS PER SHARE	7				
For continuing and discontinued operations					
– BASIC (CENT)		2.28	14.58	2.67	3.38
– DILUTED (CENT)		2.28	14.58	2.67	3.38
For continuing operation					
– BASIC (CENT)		2.28	12.70	2.67	2.91
– DILUTED (CENT)		2.28	12.70	2.67	2.91



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
(LOSS) FOR THE PERIOD	(25,847)	(82,274)	(23,250)	(41,085)
OTHER COMPREHENSIVE (EXPENSE) FOR THE PERIOD, NET OF TAX				
DISPOSAL OF DISCONTINUED OPERATION	–	(13,881)	–	–
TOTAL COMPREHENSIVE (EXPENSES) FOR THE PERIOD	(25,847)	(96,155)	(23,250)	(41,085)
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	(14,925)	(71,473)	(17,680)	(27,649)
NON-CONTROLLING INTERESTS	(10,922)	(24,682)	(5,570)	(13,436)
TOTAL COMPREHENSIVE (EXPENSES) FOR THE PERIOD	(25,847)	(96,155)	(23,250)	(41,085)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,726	5,917
Prepaid lease payments		779	794
Intangible assets	8	168,615	186,717
Deposit for acquisition of exclusive operating licences		–	148,000
		175,120	341,428
Current assets			
Inventories		42	1
Trade and other receivables	9	7,816	8,095
Pledged bank deposits		10,000	10,000
Cash and cash equivalents		3,329	3,419
		21,187	21,515
LIABILITIES			
Current liabilities			
Bank borrowings	10	10,672	10,511
Trade and other payables	11	17,326	9,232
		27,998	19,743
Net current (liabilities)/assets		(6,811)	1,772
Total Assets Less Current Liabilities		168,309	343,200
Non-current liabilities			
Other loans	12	28,460	28,460
Other payables	13	29,359	25,968
Deferred tax liabilities		36,060	40,498
Convertible bonds	14	–	110,254
Promissory notes	15	142,795	131,687
		236,674	336,867
NET (LIABILITIES)/ASSETS		(68,365)	6,333
CAPITAL AND RESERVES			
Share capital	16	6,558	6,523
Reserves		(117,154)	(53,343)
NON-CONTROLLING INTERESTS		42,231	53,153
		(68,365)	6,333



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Convertible bond reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Share option reserve HK\$'000	Non-controlling interests Total HK\$'000	Total equity HK\$'000	
As at 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	-	(41,057)	-	14,871	6,270	21,141
Loss for the period	-	-	-	-	-	-	-	(57,571)	-	(57,571)	(24,703)	(82,274)
Shares issued upon completion of acquisition of subsidiaries	440	25,960	-	-	-	-	-	-	-	26,400	-	26,400
Convertible bonds issued upon completion of acquisition of subsidiaries	-	-	-	-	-	-	149,802	-	-	149,802	-	149,802
Shares issued upon conversion of convertible bond	2,842	184,718	-	-	-	-	(78,528)	-	-	109,032	-	109,032
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	268,947	268,947
Disposal of subsidiaries	-	-	490	(13,902)	(3,174)	(211)	-	2,895	-	(13,902)	21	(13,881)
As at 30 June 2009	5,442	247,150	-	351	53	95	71,274	(95,733)	-	228,632	250,535	479,167
Total comprehensive (expense) for the period	-	-	-	(3,703)	-	-	-	(332,173)	-	(335,876)	(262,920)	(598,796)
Share issued upon conversion of convertible bonds	1,081	73,099	-	-	-	-	(16,248)	-	-	57,932	-	57,932
Deemed contribution from minority interests	-	-	-	-	-	-	-	-	-	-	65,538	65,538
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	-	2,492	2,492	-	2,492
As at 31 December 2009	6,523	320,249	-	(3,352)	53	95	55,026	(427,906)	2,492	(46,820)	53,153	6,333
Total comprehensive (expense) for the period	-	-	-	-	-	-	-	(14,925)	-	(14,925)	(10,922)	(25,847)
Share 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 equity-settled share-based payment	-	-	-	-	-	-	-	-	3,529	3,529	-	3,529
As at 30 June 2010	6,558	322,860	-	(3,352)	53	95	-	(442,831)	6,021	(110,596)	42,231	(68,365)



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash (outflow)/inflow from operating activities	(2,202)	18,591
Net cash (outflow) from investing activities	(204)	(22,483)
Net cash inflow/(outflow) from financing activities	2,155	(17,812)
(Decrease) in cash and cash equivalents	(251)	(21,704)
Cash and cash equivalents at the beginning of the period	(7,092)	16,181
Cash and cash equivalents at the end of the period	(7,343)	(5,523)
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	3,329	4,959
Bank overdrafts	(10,672)	(10,482)
	(7,343)	(5,523)



Notes:

1. Basis of preparation and principal accounting policies

The Group's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2009.

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

The 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.

As at 30 June 2010, the Group had net current liabilities and net liabilities of approximately HK\$6,811,000 and HK\$68,365,000 respectively. The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, liquidity and cash flow position of the Group and the Company:

- (i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.
- (ii) The Group and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company.
- (iii) The Group is expected to derive sufficient operating cash flows from its existing operation, and the further development of the lottery-based mobile online game recharging services in the sports lottery business in the People's Republic of China (the "PRC") of which operated since January 2009.



- (iv) The Group and the Company would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.
- (v) Mr. Wong Wai Sing, a substantial shareholder and executive director of the Company, has undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future difficulties to be experienced by the Group.
- (vi) Mr. Zhang Wei Ting, a director of a subsidiary of the Group and holder of promissory notes, agreed not to demand for repayment of promissory notes on or after the maturity date (i.e. 7 January 2012) when the Group is incapable to do so.

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 and revenue

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

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover				
Continuing operation				
– Mobile Recharging Services				
Income and sale of sports lottery	652	823	276	760
– Travel Agent Services Income	9,594	8,017	5,592	3,398
Discontinued operation				
– Related bus services				
– Public bus routes	–	71,930	–	36,555
– Hire a bus services and sightseeing ticket	–	16,022	–	9,471
– Taxi rental	–	6,702	–	3,392
– Management fee	–	1,726	–	771
	10,246	105,220	5,868	54,347
Other net income				
Advertising income on fleet body	–	844	–	599
Subsidy from local authority	–	13,594	–	7,888
Sundries	5	1,966	4	463
	5	16,404	4	8,950
Total revenue	10,251	121,624	5,872	63,297



3. Segmental information

No geographical segment analysis of the Group's performance for the six months ended 30 June 2010 is presented as all of the turnover and contribution to operating results of the Group are attributable in 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 2010 (Unaudited)

	Continuing operations		Discontinued operations				Total HK\$'000
	Income and sale of sports lottery HK\$'000	Travel Agent Services Income HK\$'000	Public routes HK\$'000	Hire a bus services and sightseeing ticket HK\$'000	Taxi Rental HK\$'000	Management fee HK\$'000	
Turnover	652	9,594	-	-	-	-	10,246
Cost of services	(388)	(8,865)	-	-	-	-	(9,253)
Gross profit	264	729	-	-	-	-	993
Administrative expenses	(25,335)	(1,480)	-	-	-	-	(26,815)
Segment results	(25,071)	(751)	-	-	-	-	(25,822)
Unallocated items:							
Other net income							5
Administrative expenses							(8,696)
Finance costs							4,228
Loss before taxation							(30,285)
Taxation							4,438
Loss for the period							(25,847)
Loss attributable to:							
Equity holders of the Company							(14,925)
Non-controlling interests							(10,922)
							(25,847)



(ii) For the six months ended 30 June 2009 (Unaudited)

	Continuing operations		Discontinued operations				Total HK\$'000
	Mobile Recharging Services Income HK\$'000	Travel Agent Services Income HK\$'000	Public routes HK\$'000	Hire a bus services and sightseeing ticket HK\$'000	Taxi Rental HK\$'000	Management fee HK\$'000	
Turnover	823	8,017	71,930	16,022	6,702	1,726	105,220
Cost of services	(700)	(7,561)	(75,955)	(17,150)	(6,084)	(1,222)	(108,672)
Gross profit	123	456	(4,025)	(1,128)	618	504	(3,452)
Administrative expenses	(10,231)	(1,352)	(12,709)	(3,720)	(2,611)	(2,199)	(32,822)
Segment results	(10,108)	(896)	(16,734)	(4,848)	(1,993)	(1,695)	(36,274)
Unallocated items:							
Other net income							16,404
Administrative expenses							(31,397)
Finance costs							(31,007)
Loss before taxation							(82,274)
Taxation							-
Loss for the period							(82,274)
Loss attributable to:							
Equity holders of the Company							(57,571)
Non-controlling interests							(24,703)
							(82,274)



4. Loss Before Taxation

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

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Cost of services	9,253	108,672	5,371	57,333
Amortisation of intangible assets	18,102	32,823	9,051	17,288
Depreciation	517	867	251	430
Operating lease rentals in respect of land and buildings	1,689	2,349	682	1,709
Staff costs including directors' emoluments	6,820	19,950	3,385	10,012
Share based payment	3,530	–	3,530	–
Gain on disposal of subsidiaries	–	(5,196)	–	(5,196)

5. Finance costs

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Interest on convertible bonds	3,455	17,639	7	8,063
Interest on promissory notes	11,107	12,587	5,789	6,815
Interest on bank loans and overdrafts	825	781	767	430
Reversal of interest expense upon cancellation of convertible bonds	(19,615)	–	–	–
	(4,228)	31,007	6,563	15,308

6. Taxation

The taxation charge comprises:

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Deferred tax – credit	(4,438)	–	(2,219)	–

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the relevant periods. Taxation arising in the PRC is calculated at the rates prevailing in the PRC.



7. Loss per share

The calculation of the basic loss per share is based on loss from the ordinary activities attributable to equity holders of the Company for the six months and three months ended 30 June 2010 of approximately HK\$14,925,000 and HK\$17,680,000 respectively (corresponding periods of 2009 loss from ordinary activities attributable to equity holders of the Company: approximately HK\$57,571,000 and HK\$27,649,000 respectively) and on a weighted average of 653,862,547 (2009: 394,747,400) shares in issue during the periods.

The diluted loss per share from continuing operations for the period is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

8. Intangible Assets

As at 30 June 2010, the total amount of intangible assets was HK\$168,615,000 which comprised of exclusive operating licenses of HK\$164,158,000, Tanglu Mobile Payment ("TMP") Platform of HK\$4,073,000 and travel agency licenses of HK\$384,000.

The exclusive operating licenses refer to the six operating licenses granted to the Group's subsidiary, by various branches of China Sports Lottery Administrative Centre pursuant to six agreements entered into between the two parties. The licenses enable the subsidiary to act as a sole service provider for mobile lottery on-line recharging services for games approved by PRC government authority for a fixed term of five years in the related provinces. The six provinces are Shandong province, Heinan province, Qinghai province, Hubei province, Gansu province, and Shaanxi province.

9. Trade and other receivables

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Trade receivables (Note (a))	173	216
Prepayments, deposits and other receivables	7,643	7,879
	7,816	8,095



The ageing analysis of the trade receivables were as follows:

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Current	24	141
31 – 90 days	94	56
91 – 180 days	4	14
Over 180 days	51	5
	173	216

10. Bank Borrowings

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Bank overdrafts	10,672	10,511

The bank overdrafts were repayable within one year or on demand as classified under current liabilities and secured by the Company's bank deposits.



11. Trade and other payables

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Trade payables (<i>note (a)</i>)	409	147
Accrued charges and other payables	12,873	3,737
Payables for acquisition of properties, plant and equipment	–	2,006
Financial liabilities measured at amortised cost	13,282	5,890
Receipts in advance (<i>note (b)</i>)	4,026	3,071
Other taxes and government surcharges payables	18	65
Other deposits	–	206
	17,326	9,232

(a) *Ageing analysis*

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

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Current	202	38
31 – 60 days	75	87
61 – 90 days	68	–
Over 90 days	64	22
	409	147

- (b) The amounts represent prepaid travel agent services fees and advertising fees from customers, for which the related services are expected to be rendered within one year of the balance sheet date.

12. Other Loans

The amount was unsecured, interest bearing at 5% per annum and not repayable within one year from 30 June 2010.



13. Other Payables

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Accrued charges	3,373	4,184
Amount due to a director (<i>note (a)</i>)	16,849	13,592
Amount due to a related company (<i>note (b)</i>)	2,662	1,705
Amount due to a minority equity holder (<i>note (c)</i>)	6,475	6,487
	29,359	25,968
Financial liabilities measured at amortised cost	29,359	25,968

- (a) The amount due to Mr. Cheung Man Yau, Timothy, an executive director of the Company is unsecured, interest-free and not repayable within one year.
- (b) The amount due to 明基(中國)置業有限公司, a company which is beneficially owned by Mr. Wong Wai Sing, an executive director of the Company, is unsecured, interest-free and not repayable within one year.
- (c) The amount due to Mr. Zhang Wai Ting, a minority shareholder of Company's subsidiary, is unsecured, interest-free and not repayable within one year.

14. Convertible bonds

On 8 January 2009, the Company issued convertible bonds in an aggregate principal amount of HK\$409,200,000 at 1% interest per annum payable quarterly. Subject to certain conditions, the bond holders have the right to convert them into ordinary shares of the Company at an initial conversion price of HK\$0.66 per share in whole or in part of the principal amount of the convertible bonds in integral multiple of HK\$1,000,000 at any time between 8 January 2009 and 7 January 2012. The Company will redeem the convertible notes on the maturity date (i.e. 7 January 2012) at 100% of its outstanding principal amount together with the accrued interest.

The convertible bonds are freely transferable (in integral multiple of HK\$1,000,000 or such lesser amount representing the entire outstanding principal amount of the convertible bonds) to transferee other than a connected person (as defined under the GEM Listing Rules) of the Company, which is subject to the consent of the Company and in compliance with the GEM Listing Rules.

The convertible bonds contain two components, the liability and the equity components. The equity component is presented in equity as a "convertible bond". The effective interest rate of the liability component is approximately 17.12%.



The movement of the liability component of the convertible bonds is set out below:

	HK\$'000
Face value of the convertible bonds at date of issue	409,200
Equity component	(149,802)
	<hr/>
Liability component at date of issue	259,398
Interest charge for the year 2009	28,869
Interest paid/payable for the year 2009	(2,689)
Conversion of convertible bonds during the year 2009	(175,324)
	<hr/>
Carrying amount at 31 December 2009	110,254
	<hr/>
Interest charge during the period	3,455
Interest paid/payable during the period	(198)
Conversion of convertible bonds during the period	(1,799)
Cancellation of convertible bonds on 9 March 2010	(111,712)
	<hr/>
Carrying amount at 30 June 2010	<u> </u>

Upon the completion of the acquisition of 65% equity interest in Wisdom In Holdings Limited, a deposit of HK\$148,000,000 was paid to the vendor for obtaining the mobile lottery on-line recharging services license of Liaoning province. The Company has the rights to adjust the principal amount of the convertible bonds downward by HK\$148,000,000 if the vendor is unable to obtain the license. As the vendor was unable to obtain the license as at 8 March 2010, the convertible bonds were therefore adjusted downward by HK\$148,000,000 and were cancelled by the Company accordingly.

15. Promissory notes

On 8 January 2009, the Company issued promissory notes in an aggregate principal amount of HK\$254,400,000 in two tranches, Promissory Note I and II, in the principal amount of HK\$154,400,000 and HK\$100,000,000 respectively issued upon the completion of the acquisition of Wisdom In Holdings Limited. The Promissory Note II shall be released to the holder within ten days after the audit of the financial statements of TLT Services (Shanghai) Limited for the year ended 31 December 2009. The Promissory Note II is subject to the downward adjustment in the event that the guaranteed profit is not attained, calculated based on the audited profits after enterprise income tax but before minority interests of TLT Services (Shanghai) Limited for the year ended 31 December 2009. In case the downward adjustment exceeds the principal amount of the Promissory Note II, the holder shall be required to pay the corresponding shortfall to the Company.



The promissory notes are interest-free and transferable. At the sole discretion of the Company, the principal amount of the promissory notes may be repaid before the maturity date (i.e. 7 January 2012) at a 3% discount. Otherwise, payment of principal of the promissory notes shall be made in full at maturity.

The fair value of promissory notes was approximately HK\$155,514,000 as at the issue date, calculated based on the effective interest rate of 16.42% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost until extinguished on redemption. Taking into account the accrued effective interest of approximately HK\$27,012,000, the carrying amount of promissory notes before the downward adjustment was amounted to HK\$182,526,000 as at 31 December 2009. According to the audited profit of TLT Services (Shanghai) Limited, the guaranteed profit was not attained and as such, a downward adjustment of approximately HK\$50,839,000 was made to Promissory Note II as at 31 December 2009.

16. Share capital

	As at 30 June 2010		As at 31 December 2009	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares at HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
At 1 January	652,258	6,523	216,000	2,160
Shares issued upon acquisition of subsidiaries	-	-	44,000	440
Shares issued upon conversion of convertible bonds	3,500	35	392,258	3,923
	655,758	6,558	652,258	6,523

17. Capital commitments

As at 30 June 2010, the Group has no material capital expenditure contracted (31 December 2009: NIL).



18. Operating lease commitment

As at 30 June 2010, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Within 1 year	3,554	1,909
More than 1 year and within 5 years	2,784	803
	6,338	2,712

The Group and the Company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to ten years. The leases did not include extension options. None of the leases includes contingent rentals.

19. Interim dividend

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



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover of the Group for the six months ended 30 June 2010 was approximately HK\$10,246,000 (2009: approximately HK\$105,220,000) representing a decrease of 90% over the corresponding period in 2009.

Gross profit

The gross profit was approximately HK\$993,000 (2009: gross loss of approximately HK\$3,452,000).

Loss attributable to equity holders

The loss attributable to equity holders of the Company was approximately HK\$14,925,000 for the six months ended 30 June 2010 (2009: approximately HK\$57,571,000).

Basic loss per share

For the six months ended 30 June 2010, basic loss per share was approximately HK2.28 cents (2009: approximately HK14.58 cents).

Balance Sheet

As at 30 June 2010, the net liabilities of the Group amounted to approximately HK\$68,365,000 (31 December 2009: net assets approximately HK\$6,333,000). Current assets amounted to approximately HK\$21,187,000 (31 December 2009: approximately HK\$21,515,000), of which approximately HK\$13,329,000 (31 December 2009: approximately HK\$13,419,000) were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$236,674,000 (31 December 2009: approximately HK\$336,867,000) and its current liabilities amounted to approximately HK\$27,998,000 (31 December 2009: approximately HK\$19,743,000), of which trade payables and other payables amounted to approximately HK\$17,326,000 (31 December 2009: approximately HK\$9,232,000).



Net cash inflow from operating activities

The Group recorded a cash outflow from operating activities of approximately HK\$2,202,000 during the six months ended 30 June 2010 compared with a cash inflow from operating activities of approximately HK\$18,591,000 during the corresponding period in 2009.

Liquidity and financial resources

The Group had cash and bank balance of approximately HK\$13,329,000 and bank overdraft of approximately HK\$10,672,000 as at 30 June 2010.

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.

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 2010 as the Board considers that the potential foreign exchange exposure of the Group is limited.

Contingent liabilities

As at 30 June 2010, the Group had no material contingent liabilities (2009: Nil).

OPERATIONAL REVIEW

Mobile Lottery Online Recharging Service Segment

The Group has at present entered into 6 exclusive service agreements with branches of the China Sports Lottery Administration Centre in provinces namely Shandong, Hainan, Qinghai, Gansu, Shaanxi and Hubei to provide e-payment and e-recharge services to lottery-based mobile online game subscribers through the "Tanglu Mobile Payment platform" ("TMP platform").



With the launch of the mobile lottery online business in Shandong province in January 2009, the number of agents and subscribers using our TMP platform in subscribing the lottery online has increased satisfactorily taking into account of only one lottery game was launched on the mobile lottery online platform. We expect these numbers will further grow over time upon the operations in other provinces being launched and more lottery games being provided on the mobile lottery online platform. However, due to the delay in launching certain new mobile lottery online games by the China Sports Lottery Administration Centre, we have therefore rescheduled the commencement of our operation in other five provinces of which exclusive service agreements have been entered into. We are still optimistic in the mobile lottery online business as remote distribution channel will be the future development of lottery sales in the PRC. The management is working closely with the China Sports Lottery Administration Centre regarding the launch of the mobile lottery online business in other provinces.

Sports Betting Outlets Segment

Due to the advancement of telecommunications, people in the PRC can now easily enjoy high quality sports matches at home. The sales of our Sports Betting outlets in June 2010 is quite satisfactory which is mainly benefit by the live broadcast of South Africa 2010 World Cup by CCTV. With the coming of the new seasons of European soccer league and NBA and the growth in the popularity of soccer and basketball games, this would probably be beneficial to our sports betting business segment.

Travel Agent Segment

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



Major Co-operation agreements

Development of Sports Oriented Prediction Game Website in the PRC

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

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

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

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

As at 30 June 2010, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

For identification purpose only



Name of Director	Capacity/nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Approximate of aggregate percentage of the Company's issued share capital
Mr. Wong Wai Sing	Beneficial Owner	3,350,000	–	0.51%
	Interest of Corporation Controlled	68,000,000 (Note 1)	–	10.37%
Mr. Cheung Man Yau, Timothy	Beneficial Owner	–	6,500,000 (Note 2)	0.99%
Mr. Chan Kin Yip	Beneficial Owner	–	6,000,000 (Note 2)	0.91%
Mr. Cheng Wing Hong	Beneficial Owner	–	2,500,000 (Note 2)	0.38%
Mr. Sung Wai Tak, Herman	Beneficial Owner	–	500,000 (Note 2)	0.08%
Mr. Wong Lit Chor, Alexis	Beneficial Owner	–	500,000 (Note 2)	0.08%
Mr. Fung Wai Shing	Beneficial Owner	–	500,000 (Note 2)	0.08%

Notes:

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

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

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SHARE OPTION SCHEME

A share option scheme was adopted on 30 July 2001 and amended on 2 December 2008 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme).

Details of the movements in the share options granted and exercised during the six months ended 30 June 2010 under the share option scheme are as follows:

Name or category	Date of grant	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Outstanding Lapsed during the period	Outstanding as at 30 June 2010
Directors								
Mr. Cheung Man Yau, Timothy	4/6/2010	04/06/2010 to 03/06/2020	HK\$0.34	-	6,500,000	-	-	6,500,000
Mr. Chan Kin Yip	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	3,000,000	-	-	-	3,000,000
	4/6/2010	04/06/2010 to 03/06/2020	HK\$0.34	-	3,000,000	-	-	3,000,000
Mr. Cheng Wing Hong	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	1,500,000	-	-	-	1,500,000
	4/6/2010	04/06/2010 to 03/06/2020	HK\$0.34	-	1,000,000	-	-	1,000,000
Mr. Sung Wai Tak, Herman	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	500,000
Mr. Wong Lit Chor, Alexis	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	500,000
Mr. Fung Wai Shing	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	500,000
Other Employees								
	29/6/2009	29/06/2009 to 28/06/2019	HK\$0.614	3,800,000	-	-	-	3,800,000
	4/6/2010	04/06/2010 to 03/06/2020	HK\$0.34	-	28,500,000	-	-	28,500,000
In aggregate				<u>9,800,000</u>	<u>39,000,000</u>	<u>-</u>	<u>-</u>	<u>48,800,000</u>



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the six months ended 30 June 2010 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of the 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the six months ended 30 June 2010.



SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 2010, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interests	Percentage of	
		Number of ordinary Shares held	the Company's issued share capital
Mr. Zhang Wei Ting	Beneficial Owner	4,500,000	0.69%
	Interest of Corporation Controlled (<i>Note 3</i>)	30,296,000	4.62%
Shiny Galaxy Enterprises Limited	Beneficial Owner	68,000,000	10.37%
Wu Hong	Beneficial Owner	50,000,000	7.62%

Notes:

- These shares are owned by Premier Capital Enterprises Limited, a company wholly owned by Mr. Zhang Wei Ting. Mr. Zhang Wei Ting is deemed to be interested in 30,296,000 shares 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 2010, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2010.

COMPETING INTERESTS

As at 30 June 2010, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its directors or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June 2010.



AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. As at the date of this report, the audit committee comprised three independent non-executive Directors, namely Mr. Fung Wai Shing (Chairman), Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30 June 2010.

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 the Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2010 except for the code provision 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 appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company.

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

Hong Kong, 11 August 2010

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