



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

Third Quarterly Report

2011





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This report, for which the directors of TLT LOTTOTAINMENT GROUP LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the 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 of 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\$17,850,000 (continuing operation: approximately HK\$17,698,000 and discontinued operation: approximately HK\$152,000) for the nine months ended 30 September 2011 (2010: approximately HK\$16,102,000, continuing operation: approximately HK\$15,254,000 and discontinued operation: approximately HK\$848,000), representing an increase of approximately 11% as compared to corresponding period in 2010.
- Loss from ordinary activities attributable to equity shareholders of the Company was approximately HK\$14,215,000 for the nine months ended 30 September 2011 (2010: approximately HK\$29,169,000).
- Basic loss per share for continuing and discontinued operations for the nine months ended 30 September 2011 was approximately HK1.10 cents (2010: approximately HK4.44 cents) and loss per share for continuing operation was approximately HK1.05 cents (2010: approximately HK1.85 cents)
- The directors do not recommend the payment of any dividend for the nine months ended 30 September 2011 (2010: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

For the nine months ended 30 September 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 nine months and three months ended 30 September 2011 together with unaudited comparative figures for the corresponding periods in 2010 (the “Relevant Periods”) as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
TURNOVER	2				
Continuing operations		17,698	15,254	5,424	5,660
Discontinued operations		152	848	-	196
		17,850	16,102	5,424	5,856
COST OF SERVICES		(16,389)	(14,413)	(4,985)	(5,160)
GROSS PROFIT		1,461	1,689	439	696
OTHER INCOME AND GAIN	2	24,721	11	23	6
OPERATING AND ADMINISTRATIVE EXPENSES		(30,193)	(52,013)	(9,675)	(16,502)
FINANCE COSTS	4	(17,210)	(1,825)	(3,888)	(6,053)
LOSS BEFORE TAXATION	5				
Continuing operations		(20,165)	(12,529)	(13,101)	(8,039)
Discontinued operations		(1,056)	(39,609)	-	(13,814)
TAXATION	6	6	6,657	-	2,219
LOSS FOR THE PERIOD					
Continuing operations		(20,165)	(12,529)	(13,101)	(8,039)
Discontinued operations		(1,050)	(32,952)	-	(11,595)
		(21,215)	(45,481)	(13,101)	(19,634)
ATTRIBUTABLE TO:					
EQUITY SHAREHOLDERS OF THE COMPANY		(14,215)	(29,169)	(10,048)	(14,244)
NON-CONTROLLING INTERESTS		(7,000)	(16,312)	(3,053)	(5,390)
LOSS FOR THE PERIOD		(21,215)	(45,481)	(13,101)	(19,634)
LOSS PER SHARE	8				
For continuing and discontinued operations					
- BASIC		(1.10 cents)	(4.44 cents)	(0.63 cents)	(2.16 cents)
- DILUTED		(1.10 cents)	(4.44 cents)	(0.63 cents)	(2.16 cents)
For continuing operations					
- BASIC		(1.05 cents)	(1.85 cents)	(0.63 cents)	(1.17 cents)
- DILUTED		(1.05 cents)	(1.85 cents)	(0.63 cents)	(1.17 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
LOSS FOR THE PERIOD	(21,215)	(45,481)	(13,101)	(19,634)
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD, NET OF TAX				
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS FINANCIAL STATEMENTS OF SUBSIDIARIES	(146)	552	26	552
DISPOSAL OF DISCONTINUED OPERATIONS	4,725	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	4,579	552	26	552
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(16,636)	(44,929)	(13,075)	(19,082)
ATTRIBUTABLE TO:				
EQUITY SHAREHOLDERS OF THE COMPANY	(9,532)	(28,617)	(10,022)	(13,692)
NON-CONTROLLING INTERESTS	(7,104)	(16,312)	(3,053)	(5,390)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(16,636)	(44,929)	(13,075)	(19,082)



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 third quarterly results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2010.

The results of subsidiaries acquired or disposed of during the period are included in the 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 consolidated third quarterly results 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 Nine months ended 30 September		Unaudited Three months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover				
Continuing operations				
Revenue from travel agent services	16,550	15,252	4,933	5,658
Artist management income	1,148	–	491	–
Others	–	2	–	2
Discontinued operations				
Mobile recharging services income	152	848	–	196
Sub-total	17,850	16,102	5,424	5,856
Other income and gain				
Gain on disposal of subsidiaries	16,671	–	–	–
Gain on restructuring of promissory notes	7,821	–	–	–
Sundries	229	11	23	6
Sub-total	24,721	11	23	6
Total	42,571	16,113	5,447	5,862

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 nine months ended 30 September 2011 (Unaudited)

	Continuing operations		Discontinued operations		Total HK\$'000
	Travel agent services HK\$'000	Entertainment HK\$'000	Others HK\$'000	Mobile lottery on-line recharging services HK\$'000	
Turnover	16,550	1,148	-	152	17,850
Segment results	(761)	(8,851)	-	(987)	(10,599)
Unallocated items:					
Other income and gain					24,721
Operating and administrative expenses					(18,133)
Finance costs					(17,210)
Loss before taxation					(21,221)
Taxation					6
Loss for the period					(21,215)
Attributable to:					
Equity shareholders of the Company					(14,215)
Non-controlling interests					(7,000)
Loss for the period					(21,215)

3. Segmental information (Continued)

(ii) For the nine months ended 30 September 2010 (Unaudited)

	Continuing operations			Discontinued operations	
	Travel agent services HK\$'000	Entertainment HK\$'000	Others HK\$'000	Mobile lottery on-line recharging services HK\$'000	Total HK\$'000
Turnover	15,252	-	2	848	16,102
Segment results	(805)	-	(780)	(38,879)	(40,464)
Unallocated items:					
Other income and gain					11
Operating and administrative expenses					(9,860)
Finance costs					(1,825)
Loss before taxation					(52,138)
Taxation					6,657
Loss for the period					(45,481)
Attributable to:					
Equity shareholders of the Company					(29,169)
Non-controlling interests					(16,312)
Loss for the period					(45,481)

4. Finance costs

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest on convertible bonds	1,608	3,455	765	–
Interest on promissory notes	15,557	17,142	3,106	6,035
Interest on bank advances and other borrowings wholly repayable within five years	–	843	–	18
Interest on finance leases	33	–	16	–
Reversal of interest expense upon cancellation of convertible bonds	–	(19,615)	–	–
Others	12	–	1	–
	17,210	1,825	3,888	6,053

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cost of services	16,389	14,413	4,985	5,160
Amortisation of intangible assets	89	27,163	24	9,061
Depreciation	967	735	402	218
Operating lease charges in respect of property rentals	3,633	2,259	1,223	570
Staff costs including directors' emoluments	9,824	9,045	2,772	2,225
Share based payment	–	3,530	–	–
Loss on disposal of property, plant and equipment	–	857	–	857

6. Taxation

Taxation represents:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Deferred tax	(6)	(6,657)	-	(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. Loss per share

The calculation of the basic loss per share is based on loss attributable to ordinary equity shareholders of the Company for the nine months and three months ended 30 September 2011 of approximately HK\$14,215,000 and HK\$10,048,000 respectively (2010: approximately HK\$29,169,000 and HK\$14,244,000 respectively) and the weighted average of 1,297,038,000 and 1,595,373,000 (2010: 657,671,000 and 657,671,000) ordinary shares respectively in issue during the period.

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

9. Capital and reserves (Unaudited)

	Attribution to equity shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Convertible bond reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2011	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	-	-	4,683	-	-	-	-	(14,215)	(9,532)	(7,104)	(16,636)
Issue of placing shares	4,090	96,323	-	-	-	-	-	100,413	-	-	100,413
Issuance of convertible notes	-	-	-	-	12,626	-	-	-	12,626	-	12,626
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	6,088	6,088
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	12,647	12,647
Share issued upon 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 September 2011	16,412	568,032	768	53	5,909	4,166	44	(543,361)	52,023	(9,416)	42,607

10. Share capital

	As at 30 September 2011 Number of shares '000 (Unaudited)		As at 31 December 2010 Number of shares '000 (Audited)	
	Amount HK\$'000 (Unaudited)		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
Issued of placing shares	409,000	4,090	66,000	660
Shares issued for acquisition 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 end of period/year	1,641,177	16,412	796,424	7,964

11. Interim dividend

The Directors do not recommend any payment of dividend non transfer of any amount to reserve for the nine months ended 30 September 2011 (2010: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2011 was approximately HK\$17,850,000 (2010: approximately HK\$16,102,000) representing an increase of approximately 11% over the corresponding period in 2010.

The unaudited consolidated loss for the period recorded an amount of approximately HK\$21,215,000 in the third quarter of 2011 as compared to a loss of approximately HK\$45,481,000 for the corresponding period in 2010. The loss attributable to equity shareholders of the Company was approximately HK\$14,215,000 in the third quarter of 2011 as compared to a loss of approximately HK\$29,169,000 for the corresponding period in 2010. Loss per share for the nine months ended 30 September 2011 was approximately HK1.10 cents as compared to loss per share of approximately HK4.44 cents for the corresponding period in 2010.

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 and the asset base 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. On 28 October 2011, the Group has completed an issuance of HK\$50 million convertible bonds. The Group believes that the issuance did not only provide the Group with more flexibility in deciding the source of financing for future merger or acquisition opportunities under the existing volatile market but also represent an opportunity to capture future investments with high yield potentials.

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 withdrew from the MLO business and concentrated 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 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 tour performed in the PRC and the first show will be launched in the fourth quarter 2011 at Beijing.

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, the school site has already been furnished and equiped with the required training equipment. The artist training school is in the final stage of several license application and is expected to commence course enrollment in the fourth quarter of 2011.

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

As at 30 September 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)	0.39%
Mr. Chan Kin Yip	Beneficial Owner	1,000,000	5,000,000 (Note)	0.37%
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 September 2011.

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

Save as disclosed above, as at 30 September 2011, 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 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 nine months ended 30 September 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 September 2011
Directors										
Mr. Cheung Man Yau, Timothy	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	6,500,000	-	-	-	-	6,500,000
Mr. Chan Kin Yip	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	3,000,000	-	-	-	-	3,000,000
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	2,000,000	-	-	-	-	2,000,000
Mr. Cheng Wing Hong (resigned on 11 February 2011)	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	1,500,000	-	-	(1,500,000)	-	-
	04/06/2010	-	04/06/2010 to 03/06/2020	HK\$0.34	500,000	-	-	(500,000)	-	-
Mr. Sung Wai Tak, Herman	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Mr. Wong Lit Chor, Alexis	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Mr. Fung Wai Shing	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	500,000	-	-	-	-	500,000
Other Employees										
	29/06/2009	-	29/06/2009 to 28/06/2019	HK\$0.614	3,800,000	-	-	(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
In aggregate					28,300,000	-	-	(5,300,000)	-	23,000,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme referred to above, at no time during the nine months ended 30 September 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 nine months ended 30 September 2011.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 2011, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity and nature of interests	Number of ordinary Shares and underlying shares held	Percentage of the Company's issued share capital
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	268,684,000	16.37%
	Interest of Corporation Controlled	32,200,000 (Note 1)	1.96%
Mr. Lam Ho Laam	Interest of Corporation Controlled	104,081,714 (Notes 2 and 3)	6.34%
Premier Capital Enterprises Limited	Beneficial Owner	104,081,714 (Notes 2 and 3)	6.34%



Notes:

1. Best Investment (Far East) Limited is a company wholly and beneficially owned by Mr. Luk Wing Kwong, Quintin and Mr. Luk Wing Kwong, Quintin is therefore deemed to be interested in 32,200,000 shares held by Best Investment (Far East) Limited pursuant to Part XV of the SFO.
2. The 104,081,714 shares consist of convertible notes which can be converted into 100,285,714 shares of the Company.
3. 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 September 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.

ISSUE OF HK\$60 MILLION 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 per conversion share with the maturity date falling on the second anniversary of the date of the issue of the convertible notes. During the nine months ended 30 September 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 September 2011, an aggregate principal amount of HK\$28,080,000 convertible notes was outstanding.

Details of the above 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.



SHARE CONSOLIDATION AND ISSUE OF HK\$50 MILLION CONVERTIBLE BONDS

The share consolidation, of every five shares of HK\$0.01 each in the issued and unissued share capital of the Company consolidated into one consolidation share of HK\$0.05 each in the issued and unissued share capital of the Company (the “Share Consolidation”) became effective on 19 October 2011. Upon the Share Consolidation has been effective, the existing authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 consolidated shares, of which 328,235,569 consolidated shares has been issued and fully paid or credited as fully paid. The board lot size has also been adjusted from 2,000 shares to 5,000 consolidated shares.

As a result of the Share Consolidation of the Company (i) the exercise prices of the options; (ii) the number of Shares to be allotted and issued in respect of the Options; and (iii) the conversion prices of the existing convertible notes were adjusted with effect from 19 October 2011. The details of the above adjustment have been disclosed in the Company’s announcement dated 20 October 2011.

On 28 October 2011, an aggregate principal amount of HK\$50,000,000 of the convertible bonds was issued to Sun Finance Co., Ltd. at the conversion price of HK\$0.30 per conversion share with the maturity date falling on the sixth month of the date of the issue of the convertible bonds. Assuming full conversion of the convertible bonds at the conversion price of HK\$0.30 per conversion share, a total of 166,666,666 conversion shares will be allotted and issued, but there is no conversion share has been issued as at the date of this report.

Details of the above Share Consolidation and issue of HK\$50 million convertible bonds have been published on the Company’s circular dated 3 October 2011 and its announcements dated 8 August 2011, 23 August 2011, 29 August 2011, 8 September 2011, 16 September 2011, 28 September 2011, 30 September 2011, 18 October 2011, 20 October 2011 and 28 October 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.

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- (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 nine months ended 30 September 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; (v) the issue of 321,753,606 consideration shares as disclosed under the section "Discloseable Transaction Involving Issue of Consideration Shares"; and (vi) the issue of 86,000,000 shares at a price of HK\$0.10 per placing shares by way of top-up placing on 18 August 2011.

COMPETING INTERESTS

As at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 November 2011

As at the date of this report, the executive Directors of the Company are Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip, Ms. Cheng Sze Man and Mr. Lee Chi Shing, Caesar; and the independent non-executive Directors of the Company are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.