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TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

DISCLOSEABLE TRANSACTION IN RESPECT OF ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF WORTHY VICTORY LIMITED

THE ACQUISITION

The Board is pleased to announce that on 13 August 2014 (after trading hours), the Company as purchaser entered into the Acquisition Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company from the Vendor at a consideration of HK\$30,000,000, which will be fully settled by issue of the Promissory Note upon Completion.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

GENERAL

As the relevant percentage ratios exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

On 13 August 2014 (after trading hours), the Company as purchaser entered into the Acquisition Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, from the Vendor. The principal terms of the Acquisition Agreement are set out as follows:

THE ACQUISITION AGREEMENT

Date

13 August 2014 (after trading hours)

Parties

- (i) The Vendor as the vendor; and
- (ii) The Company as the purchaser.

The Vendor is a Hong Kong citizen and is a merchant. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to acquire and the Vendor has agreed to dispose the Sale Share, representing the entire issued share capital of the Target Company, which is legally and beneficially owned by the Vendor as at the date of this announcement.

Consideration

The Consideration is HK\$30,000,000 which will be satisfied by the Company to issue the Promissory Notes with principal amount of HK\$30,000,000 in favour of the Vendor (or his nominee) upon Completion.

The Promissory Notes shall be issued with total principal amount of HK\$30,000,000. The Promissory Notes shall bear interest at the interest rate of 2% per annum on the outstanding principal amount. The maturity date of the Promissory Notes shall be the date falling one (1) year after the date of issue of the Promissory Notes and the Company shall redeem the Promissory Notes by repayment of the principal sum and all interest accrued thereon. The Company may repay part of the principal sum at any time from the date of issue of the Promissory Notes to the date immediately prior to the maturity date. The holder of Promissory Notes may request for early redemption upon occurrence of certain events of defaults.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, (i) the future business prospects of the Target Company; and (ii) the preliminary valuation of the Target Company.

Based on the aforesaid, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is conditional upon the fulfillment or waiver (if applicable) of the following conditions precedent:

- (i) the Company being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Company;
- (ii) all necessary consents and approvals required to be obtained on the part of the Vendor and the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) the warranties provided by the Vendor under the Acquisition Agreement remaining true and accurate in all respects.

If the above conditions precedent have not been satisfied (or as the case may be, waived by the Company in respect of conditions numbered (i) and (iii)) on or before 30 October 2014 (or such later date as the Vendor and the Company may agree), the Acquisition Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of the terms of the Acquisition Agreement.

Completion

Completion shall take place on the date falling on the third Business Days after the fulfillment (or waiver) of the conditions precedent referred to above, or such later date as the Vendor and the Company may agree.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability in 27 May 2014. The Target Company is a special purpose vehicle set up for the purpose of holding the PRC operating rights of a mobile game app of the name “Ninja in Barrel” or “木桶忍者” (the “**Mobile App**”). The Mobile App was developed by 4 Play Studio Limited (“**4 Play**”). The Vendor, being the sole shareholder of the Target Company, is also one of the three (3) directors and a minority shareholder of 4 Play having less than 10% equity interests in 4 Play. Pursuant to a deed of assignment dated 19 June 2014 between 4 Play and the Target Company, 4 Play agreed to grant to the Company a perpetual, exclusive, sublicensable, transferable and assignable license to operate the Mobile App in the PRC. 4 Play will be entitled to a portion of the revenue to be generated from the operation of the Mobile App in return for future upgrades and maintenance of the Mobile App.

As represented by the Vendor, English version of Ninja in Barrel was launched in November 2012 in Hong Kong and as at the date hereof, the Mobile App has not yet been formally launched in the PRC market. As informed by the Vendor, 4 Play has built a Chinese version of Ninja in Barrel for the PRC market, which is subject to certain fine tunings and adjustments as requested by game publishers before launch in PRC market. The Target Company is in negotiations with PRC mobile game publishers with regard to the terms and conditions of launching the Mobile App.

Based on the unaudited management accounts of the Target Company, the Target Company did not record any revenue or profit from the date of its incorporation to 30 June 2014 and the net asset value of the Target Company as at 30 June 2014 was approximately HK\$7.8.

Pursuant to a preliminary valuation conducted by independent valuer, B.I. Appraisals Limited, the 100% equity interest in Worthy Victory Limited amounts to approximately HK\$31,586,000 (the “Valuation”). The Valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules and Rules 19.60A and 19.62 of the GEM Listing Rules are applicable. Set out below are the major assumptions adopted by the valuer in the Valuation:

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate has or would be officially obtained and renewable upon expiry.
- The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized.
- There will be sufficient supply of technical staff in the industry in which the Target Company operates, and the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments.
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company.
- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.
- As advised by the management, the growth rate of sales and profit margin will stall from the second year of operation and thereafter.

Elite Partners CPA Limited (“Elite Partners”), acting as the reporting accountants of the Company, has reviewed the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, for the Valuation.

The Directors confirm that the Valuation, which constitutes a profit forecast under the GEM Listing Rules, has been made after due and careful enquiry.

A letter from the Board and a letter from Elite Partners are included in the appendices to this announcement for the purpose of Rule 19.62 of the GEM Listing Rules.

As at the date of this announcement, each of Elite Partners and B.I. Appraisals does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of Elite Partners and B.I. Appraisals Limited has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

REASONS FOR THE ACQUISITION

The Group is principally engaged in provision of travel agent services, advertising and marketing services and trading of securities.

The Target Company will become a wholly owned subsidiary of the Company upon completion of the Acquisition. The Directors are of the view that, through the Acquisition, the Group will be able to tap into the mobile app market, which is a rapidly growing market. In light of that there will not be any immediate cash outflow on the part of the Group for the Acquisition, together with that the proven historical record of the Mobile App after its launch in Hong Kong, the Board believes that the future prospects of the Target Company is promising.

The English version of Ninja in Barrel was launched in November 2012 in Hong Kong and has accumulated downloads of over 250,000 from Apple App Store and Google Play. According to 4 Play, the design of Ninja in Barrel is unique and there is no other mobile game similar to it in the market.

According to “2013 PRC Game Industry Report,” the number of mobile game users in PRC was over 310 million, which is approximately 100 times larger than the user base in Hong Kong, and the revenue of mobile game industry in PRC was over RMB11 billion, approximate 2.5 times of the revenue in 2012. It is believed that the mobile game industry will continue to grow rapidly in 2014 due to the vast acceptance of smart mobile devices by the people in PRC.

As advised by the Vendor, the Target Company is in negotiations with several mobile game publishers in PRC on the official launch of the Chinese version of Ninja in Barrel.

With regard to the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

As the relevant percentage ratios exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Share from the Vendor by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 13 August 2014 entered into between the Vendor and the Company in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Business Day”	a day on which the banks are open for business in Hong Kong (other than Saturday, Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Company”	TLT Lottotainment Group Limited (stock code: 8022), a company incorporated in Hong Kong with limited liability and the issued Shares are listed on the GEM
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the Acquisition Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$30,000,000 being the consideration for the sale and purchase of the Sale Share
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Promissory Notes”	the promissory notes in the total principal sum of HK\$30,000,000 to be issued by the Company for the purpose of settling the entire Consideration
“Sale Share”	the one (1) issued ordinary share of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Worthy Victory Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor”	Mr. Frank Yu, an Independent Third Party and the sole shareholder of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
TLT Lottotainment Group Limited
Wu Wenbei
Executive Director

Hong Kong, 13 August 2014

As of the date hereof, the executive directors of the Company are, Ms. Lin Yan Jenny and Mr. Wu Wenbei; and the independent non-executive directors of the Company are, Ms. Lam Yuk Ying, Elsa, Mr. Liu Kwong Sang and Mr. Yiu Yuen Kai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this announcement 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 announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.lottotainment.com.hk>.

In compliance with Rule 19.60A of the GEM Listing Rules, the text of each of the letter from Elite Partners to the Directors confirming it has reviewed the calculations of the discounted future estimated cash flows for the Valuation and the letter from the Board confirming the Valuation has been made by the Directors after due and careful enquiry both dated 13 August 2014, for the purpose of, among other things, inclusion in this announcement are reproduced below:

APPENDIX I – LETTER FROM THE BOARD

Date: 13 August 2014

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs

Re: Discloseable Transaction – Acquisition of the entire issued share capital of Worthy Victory Limited

We refer to the announcement of the Company dated 13 August 2014 (the “Announcement”) and also the valuation report dated 1 August 2014 (the “Valuation Report”) on the 100% equity interest in Worthy Victory Limited by B.I. Appraisals Limited, an independent professional valuer, the valuation of which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

We have discussed with the independent valuer and have reviewed the comfort letter issued by Elite Partners CPA Limited in relation to the accounting policies and arithmetic calculations of the profit forecast and have reviewed the principal assumptions upon which the valuation is based. We have also considered the impact of the Acquisition on the Group as a whole.

After such discussions and reviews, we are of the view that the profit forecast contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully
For and on behalf of the Board of Directors of
TLT Lottotainment Group Limited
Name: Wu Wenbei
Title: Director

APPENDIX II – LETTER FROM ELITE PARTNERS

13 August 2014
The Board of Directors
TLT Lottotainment Group Limited
Room A, 9th Floor, Fortis Tower,
77–79 Gloucester Road,
Wanchai, Hong Kong

Dear Sir or Madam,

TLT Lottotainment Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

Comfort letter on profit forecast underlying the valuation of the Worthy Victory Limited (the “Target Company”) in connection with discloseable transaction of the Group

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) report dated 1 August prepared by B.I. Appraisals Limited in respect of the Valuation of the Target Company as at 30 June 2014 in connection with proposed acquisition of entire equity interest of the Target Company, as published in the Company’s announcement dated 13 August 2014 (the “Announcement”). Capitalised terms used in this letter have the same meanings as defined in the Announcement of the Company dated 13 August 2014 unless the context otherwise requires.

The Valuation which is determined based on the discounted cash flows and is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Growth Enterprise Market Listing of Securities on The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

Respective responsibilities of the directors of the Company and the reporting accountants

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the Valuation which is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

It is our responsibility to report, as required by Rule 19.61 of the GEM Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the procedures under Auditing Guideline 3.341 “Accountants’ report on profit forecasts” issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Target company.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully

Elite Partners CPA Limited

Certified Public Accountants Hong Kong

Yip Kai Yin

Practising Certificate Number: P05131