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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)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement of TLT Lottotainment Group Limited (the “Company”) dated 30 March 2012 (the “Results Announcement”) of the Company’s consolidated results for the year ended 31 December 2011 (the “2011 Results”).

#### ***Disclaimer of Opinion***

The Company’s auditors (the “Auditors”) issued a disclaimer of opinion on the 2011 Results (the “Disclaimer of Opinion”). The board of directors of the Company (the “Board”) wishes to announce that the Disclaimer of Opinion is related to the Board’s decision to make an impairment loss of the outstanding refundable deposit in the sum of HK\$41 million (the “Outstanding Deposit”) due from Mr. Gao Feng (“Mr. Gao”) to the Company. The Board considers the reason for the Auditors to issue the Disclaimer of Opinion was that the Board was unable to demonstrate to the Auditors with sufficient information and evidence that the judgment of the Board to make an impairment loss on the full outstanding amount of the Outstanding Deposit was not excessive. The Board considers the reasons attributable to that being lack of time and insufficient communication between the Board and the Auditors. The Board will ensure more effective and efficient time and communication for and with the Auditors in future to avoid the re-occurrence of any similar situation in the coming financial years.

#### ***The Outstanding Deposit***

As announced by the Company on 28 April 2011, the Company entered into a sale and purchase agreement with Mr. Gao relating to the acquisition of 25% issued capital of Galaxy Mount International Limited at the consideration of HK\$212 million (the “DOXTV Transaction”). A refundable deposit of HK\$46 million (the “Deposit”) was paid by the Company to Mr. Gao which are normal and usual in sale and purchase transactions. On 5 August 2011, the Company announced that it had entered into a termination agreement to terminate the DOXTV Transaction (the “Termination Agreement”) and on 12 August 2011,

the Company announced that it had entered into an addendum to the Termination Agreement with Mr. Gao under which Mr. Gao had agreed to fully refund the Deposit without interest to the Company by 10 October 2011, however, Mr. Gao has failed to fully refund the Deposit to the Company on 10 October 2011. On 30 November 2011, the Company made further announcement disclosing that it was in negotiation with Mr. Gao on refund of the Deposit and Mr. Gao had made a revised proposal to the Company on the full refund of the Deposit, however, Mr. Gao was unable to perform the terms of the revised refund proposal and as at today Mr. Gao had only refunded HK\$5 million to the Company leaving an outstanding balance of HK\$41 million yet to be refunded to the Company. Since 2 April 2012, the Company has established a dialogue with Mr. Gao through correspondence and Mr. Gao had sent a letter to the Company on 22 May 2012 stating that the amount representing the Deposit he had received were all being injected into the DOXTV project and recuperating of the injected fund would take time and that he was currently tight on fund. Mr. Gao wishes to discuss with the Company to work out a sustainable repayment timetable and has requested to mediate with the Company to resolve the issue. The Company originally considered to accept Mr. Gao's request to mediate with him and trying to work out an acceptable repayment timetable with him in order to avoid costly legal action, however, Mr. Gao did not take any action to proceed to mediation with the Company. On 15 June 2012, the Company instructed its solicitors to issue a final warning letter to Mr. Gao and threatened to commence legal action against him in the event that he does not come up with a payment proposal of the Outstanding Deposit to the satisfaction of the Company on or before 29 June 2012. The Company will make further announcement in due course on any material progress in the pursue of full refund of the Outstanding Deposit from Mr. Gao.

Prior to entering the DOXTV Transaction the Board had performed preliminary due diligence on both Galaxy Mount International Limited and Mr. Gao to understand their background and was of the view that Mr. Gao was a person of resources. Mr. Gao was and still is an executive director and substantial shareholder of Sino Resources Group Limited ("SRGL"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The agreement relating to the DOXTV Transaction was entered into between the Company and Mr. Gao, hence, Mr. Gao assumed personal legal obligation and liability over the refund of the Deposit. The reason provided by Mr. Gao to the Company for his inability to refund the Deposit to the Company in full at the time of entering into the Termination Agreement was because the Deposit received by him were all being injected to development the business of the DOXTV Transaction and recuperation of the injected fund would take time and Mr. Gao was having cash flow problem in refunding the Deposit in full to the Company at the time of the Termination Agreement. As the Deposit was already paid and received by Mr. Gao, the Company considered it would be beneficial to concentrate on trying to recover as much refund of the Deposit as provided in the addendum to the Termination Agreement and the revised refund proposal made by Mr. Gao and he had stuck with his revised refund proposal in the beginning. The Board has consistently been monitoring the recoverability of the Deposit and the credibility of Mr. Gao by tracking the shareholding of Mr. Gao of SRGL and the market price of his block of shares through the information disclosed on the web-site of the Stock Exchange of Hong Kong Limited to keep track of his creditability. As a result of Mr. Gao's failure to refund the Deposit in full to the Company as scheduled, the Board considered that it should take a more prudent approach in assessing the recoverability of the Outstanding Deposit and the creditability of Mr. Gao the Board resolved on 29 March 2012 to make a full impairment loss on the outstanding balance of the Deposit of HK\$41 million.

The Company being principally engaged in investment holdings is required to make investments to further its businesses, the Company's need to invest and its need to maintain sound and effective internal control to safeguard shareholders' investments and assets is a balancing arts and the Company is of the view that given the circumstances of the DOXTV Transaction, the background of Mr. Gao, the Board has taken reasonable steps and actions towards the DOXTV Transaction and the treatment of the Deposit and each and every members of the Board have individually and collectively fulfilled their fiduciary duties and duties of skill, care and diligence and had been acting in good faith in the interest of the Company as a whole to safe guard the assets and investments of the Company and its shareholders.

### ***Profits Guarantee and Put Options***

Reference is also made to the Company's announcement dated 7 October 2010 relating to the Company's acquisition of 51% issued share capital of Fountain City Holdings Limited, a company which carries on, amongst other things, the business of a talent school in Macau and the Company's option to put back those shares to their original vendors and to the Company's announcement dated 16 February 2011 relating to the Company's acquisition of 51% of the issued share capital of Dragon Gain Worldwide Limited, a company which through its wholly owned subsidiary holds a non-exclusive licence to adapt Mr. Louis Cha Leung Yung's novel "Born to be hero" for stage drama performance worldwide (except Japan) and the profits guarantee provided to the Company and the Company's option to put back those shares to their original vendors. The Board considers that by reason of the business carrying out by Dragon Gain Worldwide Limited, namely performing the stage drama of "Born to be hero" and that carrying out by Fountain City Holdings Limited, namely running of talent school, it would be difficult to provide an assessment of the likelihood on whether the profits guarantees referred to in the contracts for the relevant acquisitions could be met because profits generated from these kind of businesses may and can be changed drastically in a short period of time or even overnight from nil profit to explosive profit if their products received critics acclaims and publicities. The Board and management of the Company is undergoing restructuring are/has assigned its executive director, Mr. Chan Yun Fai to enhance the communication between the Company and the operators of the Company's investments. The Company will keep its option open on putting back its investments back to their respective vendors if the circumstances for a decisions to be made by the Company.

The Company will make further update announcements on the fulfillment of the profits guarantee and the exercise (or non-exercise) of the put options in due course and will disclose its latest assessment and fulfillment status of the profits guarantee and the exercise (or non-exercise) of the put options regarding each of the relevant transactions that the Company had entered into in each of the coming quarterly, interim and annual reports of the Company.

By the order of the Board  
**TLT LOTTOTAINMENT GROUP LIMITED**  
**Yip Man Yi**  
*Chairman and Executive Director*

Hong Kong, 26 June 2012

*As at the date of this announcement, the executive Directors of the Company are Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; and the independent non-executive Directors of the Company are Mr. Fung Wai Shing, Mr. Li Kwok Chu and Mr. Chiu Koon Shou.*

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of the purpose of giving information with regard to the Company. The Directors of the Company, 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 aspects 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 “Latest Company Announcements” page of the GEM website for at least 7 days from its date of its posting and on the Company’s website at <http://www.lottotainment.com.hk>.*