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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)**

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO EXERCISE OF PUT OPTION AND RESUMPTION OF TRADING**

#### **EXERCISE OF PUT OPTION**

The Directors wishes to announce that on 28 December 2012, the Purchaser, a wholly owned subsidiary of the Company, has served an Option Notice on the Vendor under the Agreement stating its intention to exercise the Put Option and required the Vendor to purchase the Option Shares from the Purchaser at the pre-agreed Option Exercise Price of HK\$58,650,000.

#### **GEM LISTING RULES IMPLICATIONS**

As the relevant percentage ratio of the Disposal exceeds 75%, the Disposal would constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. In addition, as at the date of this announcement, Maria Cordero and Maria Lee are the only two directors of Fountain City and they are the ultimate beneficial owners of 67.5% and 27.5% of the Vendor respectively. As such, the Vendor, Maria Cordero and Maria Lee are considered to be associates of a connected person of the Company and the Disposal would constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules, the Disposal shall be subject to the reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules.

## **GENERAL**

An EGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the Disposal and the transactions contemplated thereunder.

An Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Disposal and as to how to vote at the EGM regarding the relevant resolution(s) to be proposed at the EGM to approve the Disposal and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the transactions contemplated thereunder.

A circular containing, among other things, further information of the Disposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the notice convening the EGM will be dispatched to the Shareholders within 15 days after the date of this announcement, i.e. on or before 28 January 2013, in compliance with the GEM Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 2 January 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:00 a.m. on 8 January 2013.

## **VERY SUBSTANTIAL DISPOSAL AND CONNECTION TRANSACTION**

The Directors wishes to announce that on 28 December 2012, the Purchaser, a wholly owned subsidiary of the Company, has served an Option Notice on the Vendor under the Agreement stating its intention to exercise the Put Option and required the Vendor to purchase the Option Shares from the Purchaser at the pre-agreed Option Exercise Price of HK\$58,650,000.

## **THE AGREEMENT**

### **Date**

7 October 2010

### **Parties**

- (i) The Purchaser;
- (ii) The Vendor; and
- (iii) The Guarantor.

As at the date of this announcement, Maria Cordero and Maria Lee are the only two directors of Fountain City and they are the ultimate beneficial owners of 67.5% and 27.5% of the Vendor respectively. As such, the Vendor, Maria Cordero and Maria Lee are considered to be an associates of a connected person of the Company.

### **Put Option**

Pursuant to the Agreement, the Vendor irrevocably granted to the Purchaser the Put Option exercisable at any time and from time to time during the Option Period by notice in writing to the Vendor to require the Vendor to purchase all the Option Shares from the Purchaser at the Option Exercise Price.

The Purchaser may only exercise the Put Option on the conditions that:

- (i) the Gross Profits of the Target Group for the First Period shall be less than HK\$15,000,000; or
- (ii) the Gross Profits of the Target Group for the Second Period shall be less than HK\$30,000,000.

For the purpose of ascertaining the Gross Profits for the First Period or as relevant, the Second Period, the Vendor and the Purchaser shall jointly instruct and direct the auditors for the time being of the Target Group to issue the Auditors' Certificate stating the amount of actual Gross Profits for the First Period or as relevant, the Second Period before the date falling two months from the end of the First Period or as relevant, the end of the Second Period.

The rights of the Purchaser to exercise the Put Option shall be restricted to within one month from the date of the issuance of the Auditors' Certificate for the First Period or as relevant, the Second Period (the "**Option Period**") and the right of the Purchaser to exercise the Put Option shall lapse after expiration of the relevant Option Period.

The Vendor has acknowledged to the Company that the actual Gross Profits for the Second Period is less than HK\$30,000,000 and the Vendor and the Purchaser agreed to waive the requirement for the issuance of the Auditors' Certificate.

The Put Option was exercised by the Purchaser on 28 December 2012.

### **Asset to be disposed of**

The Option Shares consisting of fifty-one issued shares of US\$1.00 each in the issued share capital of Fountain City and representing 51% of the entire issued share capital of Fountain City.

### **Consideration**

The Option Exercise Price of HK\$58,650,000.

The consideration was pre-agreed between the Vendor and the Purchaser under the Agreement and was arrived at after arm's length negotiations between the parties to the Agreement.

The consideration will be satisfied by the Vendor to the Purchaser at completion of the Disposal.

### **Completion**

Completion of the Disposal will take place 180 days of the later of:–

- (i) the Option Notice being received by the Vendor; or
- (ii) any regulatory authorisations, consents or approvals being obtained.

### **Conditions to completion**

Completion of the Disposal is conditional upon satisfaction of any regulatory authorisations, consents or approvals being obtained (including all regulatory authorisations under the GEM Listing Rules in relation to the Disposal and the passing of all the necessary resolution(s) by the Independent Shareholders pursuant to the GEM Listing Rules at the EGM to approve the Disposal and the transactions contemplated thereunder).

### **Guarantee**

Pursuant to the Agreement, the obligations of the Vendor to complete the Put Option is guaranteed by the Guarantor.

As at the date of this announcement, the Guarantor indirectly holds 2.5% of the issued share capital of the Vendor.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Guarantor and his associates are Independent Third Parties.

### **INFORMATION OF THE GROUP**

The Group is principally engaged in the rendering of travel agent services, entertainment, programme production, events organisation, TV-series production, operation of an artist training school and operation of stage drama during the financial year ended 31 December 2011. Subsequent to the financial year ended 31 December 2011, the Group acquired the equity interests in Hong Kong Marketing Service Limited and extended its principal activities to product advertising and promotion, marketing agency and planning, functional organization and media project services. In July and August 2012, the Group also engages in securities investments and money lending business respectively. On 26 November 2012, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Mass Apex Limited at a total consideration of HK\$68,000,000 (subject to downward adjustment), which shall be satisfied as to (i) HK\$2,000,000 in cash upon signing of the sale and purchase agreement; (ii) HK\$7,200,000 in cash upon completion; and (iii) HK\$58,800,000 by issue of the promissory note upon completion. On 28 December, 2012 the Group exercised

a put option and put back the entire issued share capital of Dragon Gain Worldwide Limited to its original vendor at the pre-agreed put option price of HK\$49,200,000 and thereby discontinue with operation of stage drama which the Board considers its investment in Dragon Gain Worldwide Limited was under-performed and could not meet with the profits guarantee under the acquisition agreement entered by the Company and its original vendor.

## **INFORMATION OF FOUNTAIN CITY**

As at the date of this announcement, Fountain City is an indirect non-wholly owned subsidiary of the Company. Fountain City and its subsidiaries are engaged in the businesses of entertainment programme production, events organization, TV-series production and operation of an artist training school in the region of Macau and Southeast Asia.

### **Financial information of the Target Group**

Set out below are the audited financial information of the Target Group for the two years ended 31 December 2011 prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December 2010 audited HK\$'000</b>	<b>For the year ended 31 December 2011 audited HK\$'000</b>
Turnover	394	1,179
Loss before tax	2,844	5,792
Loss after tax	2,844	5,792

As at 30 September 2012, the unaudited net liabilities of the Target Group amounted to approximately HK\$23.7 million.

### **POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL**

Immediately after completion of the Disposal, the Target Group will cease to be a subsidiary of the Company. After completion of the Disposal, the results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

The estimated gain on the Disposal of the Target Group amounting to approximately HK\$8.35 million, which is calculated based on (a) the consideration for disposing the Target Group, amounting to HK\$58.65 million, (b) unaudited net liabilities as at 1 October 2012 of the Target Group attributable to the owners of the company of HK\$12.1 million; (c) Goodwill amounting to 14.3 million; (d) the fair value on derivative financial instruments previously recognized of HK\$47.1million and (e) the estimated legal and professional fees of approximately HK\$1 million.

Any actual gain or loss from the Disposal will depend on the carrying value of the net assets of the Target Company and the fair value on derivative financial instruments upon Completion.

## **INTENDED USE OF PROCEEDS**

The net proceeds payable to the Group are expected to be approximately HK\$57.6 million. The Directors expect that such net proceeds will be used for the repayment of term loan and for general working capital of the Group.

## **REASONS AND BENEFITS OF THE DISPOSAL**

As disclosed in 2010 annual report of the Company, the directors are of the view that the acquisition of Fountain City provides a golden opportunity for the Group to penetrate into the entertainment industry of Macau which is considered to be a blooming industry in the coming few years.

However, the entertainment business is still in low-pace development and the official school license of Macau talent academy is in the final stage of approval. The delay in granting the official school license to the Macau talent academy has delayed the scheduled commencement of business of the talent academy and has adversely affected its performance and as such it has failed to provide any profits to the Group.

In view of the current uncertainty of granting the official school license to the Macau talent academy, it is reasonable and in the best interest of the Company and the Shareholders as a whole to dispose of the Target Group.

As such, the Directors (excluding independent non-executive Directors whose opinion on the matter would be set forth in the circular after having been advised by the independent financial adviser to be appointed in this regard) consider that the terms of the Disposal are fair and reasonable and are in the interest of the Group and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

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## **GENERAL**

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thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the transactions contemplated thereunder.

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## **RESUMPTION OF TRADING**

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## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Agreement”	the formal sale and purchase agreement for the sale and purchase of 51 shares of US\$1.00 each in the issued share capital of Fountain City, representing 51% of the issued share capital of Fountain City, dated 7 October 2010 and entered into between the Vendor, the Purchaser and the Guarantor
“associates”	has the meanings ascribed to it under the GEM Listing Rules
“Auditors’ Certificate”	the certificate issued by the auditors for the time being of the Target Group stating the amount of the actual Gross Profits for the First Period or as relevant, the Second Period
“Board”	the board of Directors
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong, whose shares are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Option Shares by the Purchaser to the Vendor by way of sale at the Option Exercise Price



“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and if thought fit passing the resolution in respect of, among others, the Disposal and the transactions contemplated thereunder
“First Period”	22 October 2010 to 21 October 2011
“Fountain City”	Fountain City Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Gross Profits”	the audited consolidated gross profits of the Target Group before administrative expenses, taxation and minority interests and excluding any extraordinary or exceptional items as shown in the Auditors’ Certificate
“Group”	the Company and its subsidiaries
“Guarantor”	Lai Chun Hung
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	A committee comprising Mr. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu, all being the independent non-executive Directors, to be established to advise the Independent Shareholders in relation to the Disposal and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders other than the Vendor, Maria Cordero, Maria Lee and their respective associates
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules)
“Maria Cordero”	BIBI, Mariam Maria Cordero
“Maria Lee”	Lee Siu Ping Maria
“Option Exercise Price”	HK\$58,650,000



“Option Notice”	the written notice serve by the Purchaser to the Vendor to require the Vendor to purchase the Option Shares and the time for completion of the sale and purchase of the Option Shares
“Option Period”	within one month from the date of issuance of the Auditors’ Certificate for the First Period, or as relevant, the Second Period
“Option Shares”	51 shares of US\$1.00 each in the issued share capital of Fountain City, representing 51% of the issued share capital of Fountain City
“Purchaser”	Brilliant Reach Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Company
“Put Option”	the option under the Agreement exercisable by the Purchaser within the Option Period to request the Vendor to purchase the Option Shares at the Option Exercise Price
“Second Period”	22 October 2011 to 21 October 2012
“Share(s)”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Fountain City and its subsidiaries
“Vendor”	Diwang Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 7 January 2013

*As of 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. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu.*

*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>.*