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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in TLT Lottotainment Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

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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 NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



Aviate Beijing

Aviate Beijing Capital Limited

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

Terms used in this cover page have the same meanings as defined in this circular.

A notice convening the EGM to be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Monday, 26 August 2013 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

This circular will remain on the "Latest Company Announcement" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.lottotainment.com.hk>.

8 August 2013

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“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 Disposal 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
“Completion”	completion of the Disposal
“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 exercise of the Put Option at the Option Exercise Price
“Disposal Group”	Fountain City and its subsidiaries
“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

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to allot, issue and deal with the Shares granted to the Directors pursuant to the resolutions passed at the annual general meeting of the Company on 13 May 2013
“Gross Profits”	the audited consolidated gross profits of the Disposal 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, established to advise the Independent Shareholders in relation to the Disposal and the transaction contemplated thereunder
“Independent Financial Adviser”/“Goldin Financial”	a licensed corporation to carry out type 6 regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“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)
“Latest Practicable Date”	7 August 2013, being the latest practicable date for ascertaining certain information contained in this circular

DEFINITIONS

“Macau Talent”	Macau Talent Academy Limited, a company incorporated in Macau with limited liability, which is wholly owned by Fountain City
“Maria Cordero”	BIBI, Mariam Maria Cordero
“Maria Lee”	Lee Siu Ping Maria
“New Loan Facility”	the loan facility entered into between the Company and HEC Finance 92 Limited on 27 May 2013 whereby HEC Finance 92 Limited agreed to grant to the Company a secured loan facility of HK\$37,000,000 for a fixed term of 3 months at an agreed interest rate of 1.5% per month
“Official License”	license for private education institution issued by Education and Youth Affairs Bureau in Macau
“Option Exercise Price”	HK\$58,650,000
“Option Notice”	the written notice serve by the Purchaser to the Vendor stating its intention to exercise the Put Option 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
“Placing”	the placing of the Placing Shares under the General Mandate by way of a private placing of the Placing Shares procured by the Placing Agent to selected investors on the terms and subject to the condition set out in the Placing Agreement
“Placing Agent”	China Times Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the agreement in relation to the Placing entered into between the Company and the Placing Agent on 11 June 2013

DEFINITIONS

“Placing Share(s)”	13,110,000 new Shares placed under the Placing
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital in the Grace Profit Corporation Limited by the Company from China Well Investments Reward Inc. and United Path Inc. as contemplated under the memorandum of understanding dated 18 July 2013 entered into between the Company and China Well Investments Reward Inc. and United Path Inc.
“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
“Remaining Group”	the Group other than the Disposal Group
“Second Period”	22 October 2011 to 21 October 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“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
“Term Loan Facility”	the loan facility entered into between the Company and Gain All Investments Limited on 30 May 2012
“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.



TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

Executive Directors:

Mr. Wu Wenbei

Ms. Lin Yan Jenny

Ms. Yip Man Yi

Mr. Chan Yun Fai

Mr. Au Yeung Yiu Chung

*Registered office and principal place
of business:*

Room A, 9th Floor

Fortis Tower

77-79 Gloucester Road

Wanchai

Hong Kong

Non-executive Director:

Mr. Lau Kin Hon

Independent non-executive Directors:

Mr. Lau Shu Yan

Mr. Chiu Koon Shou

Mr. Li Kwok Chu

8 August 2013

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION
IN RELATION TO EXERCISE OF PUT OPTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 7 October 2010 and 28 December 2012. 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information of the Disposal; (ii) financial information of the Disposal Group; (iii) the unaudited pro forma financial information on the Remaining Group; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (v) the recommendation of the Independent Financial Adviser in respect of the Disposal; and (vi) to give you a notice of the EGM at which a resolution will be proposed to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder.

THE AGREEMENT

Date

7 October 2010

Parties

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

The Vendor is principally engaged in investment holding. As at the Latest Practicable Date, Maria Cordero, a well-known artist, and Maria Lee, a merchant, 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 Disposal Group for the First Period shall be less than HK\$15,000,000; or
- (ii) the Gross Profits of the Disposal 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 Disposal Group to issue the Auditors' Certificate stating

LETTER FROM THE BOARD

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 and the right of the Purchaser to exercise the Put Option shall lapse after expiration of the relevant Option Period.

The Vendor 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 in order to save additional costs which the Vendor and the Purchaser considered not necessary as the Disposal Group was loss-making.

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 for the Option Shares was determined after arm's length negotiation between the Purchaser and the Vendor with reference to the time value of the acquisition consideration of HK\$34,500,000, which is the value of money with a given amount of interest earned or inflation accrued over a given amount of time, for the First Period and the Second Period respectively and the financial capability of the Vendor. The Option Exercise Price was determined as follows:

- (i) in the event the Purchaser elects to exercise the Put Option by reference to the Gross Profits for the First Period, the Option Exercise Price shall be equivalent to 120% of the consideration for the sale and purchase of 51% of the issued share capital of Fountain City (i.e. HK\$41,400,000); and
- (ii) in the event the Purchaser elects to exercise the Put Option by reference to the Gross Profits for the Second Period, the Option Exercise Price shall be equivalent to 170% of the consideration for the sale and purchase of 51% of the issued share capital of Fountain City (i.e. HK\$58,650,000).

The Disposal Group recorded a gross profit of HK\$112,803 for the First Period and gross loss of HK\$758,903 for the Second Period. The Option Exercise Price of HK\$58,650,000 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Disposal Group is engaged in the businesses of (i) entertainment programme production; (ii) events organization; and (iii) TV-series production. Based on the management accounts of the Disposal Group for the two financial years ended 31 December 2012, the business of entertainment programme production and TV-series production, which contributed over 50% of the unaudited turnover of the Disposal Group for the year ended 31 December 2011, ceased to contribute any turnover to the Disposal Group for the year ended 31 December 2012, while turnover from the business of artist management shrank by over 50%. Accordingly, the Board considers that the financial performance of the Disposal Group was under-performed.

The Board considers that to put back the under-performed business at a premium could reduce the financial burden of the Group and improve its financial performance. The Board considers iBond is a risk free investment and is a fair reference for investment comparison as the Board considers that the Group has the right to receive the Option Exercise Price upon exercise of the Put Option which it considers the risk level is relatively low. The Board has compared the coupon rate of iBond (with an average of around 3-6% per annum) issued by the Hong Kong Government with the premium of the Option Exercise Price over the consideration under the Agreement (being 120% and 170% over the consideration under the Agreement for the First Period and Second Period respectively) and considers that the Option Exercise Price represents a substantial premium and the exercise of the Put Option is in the interests of the Company and the Shareholders. In addition, the receipt of the Option Exercise Price will improve the tighten financial position of the Group and enhance its working capital base. Having considered the above, the Board is of the view that the Disposal and the Option Exercise Price, which represents a substantial premium to the consideration under the Agreement, are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

Pursuant to the terms of the Agreement, the consideration will be satisfied by the Vendor to the Purchaser by cash within 180 days after the Disposal is approved by the Shareholders. After the Purchaser exercised the Put Option on 28 December 2012, the Purchaser and the Vendor verbally agreed that the loans advanced by the Company to the Disposal Group will be settled on or before Completion, the Purchaser requested the Vendor to enter into a written agreement in this regard but failed to reach an agreement with the Vendor. As advised by the legal advisers of the Company, the verbal agreement between the Purchaser and the Vendor is legally binding and enforceable.

Completion

Completion will take place within 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.

LETTER FROM THE BOARD

Conditions to Completion

Completion 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).

If the above conditions shall not have been fulfilled, all rights and obligations of the parties thereunder shall cease and terminate, and no party shall have any claim against the other for any costs or losses (save in respect of any antecedent breaches of the Disposal). None of the above conditions can be waived.

The settlement of the consideration and the loans advanced by the Company to the Disposal Group are not conditions precedent to Completion under the Agreement. Pursuant to the Agreement, Completion will take place if all conditions are fulfilled and within 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. The consideration will be satisfied by the Vendor to the Purchaser by cash within 180 days after the Disposal is approved by the Shareholders which is in accordance with the Agreement and the loans advanced by the Company to the Disposal Group will be settled on or before Completion as mutually agreed between the Vendor and the Purchaser. The Board discussed with the Vendor on whether the settlement of consideration could be included as a condition precedent to Completion and the consideration could be settled by instalments within 180 days after the Disposal is approved by the Shareholders, however, no agreement could be reached with the Vendor. Taking into account that (i) the settlement of the consideration will be made in accordance with the Agreement which is on or before Completion; and (ii) (a) in the event that the Vendor fails to effect payment of the consideration, it will constitute a breach of the Agreement by the Vendor and Completion could not take place under the Agreement; and (b) if the Vendor fails to effect payment of the loans advanced by the Company to the Disposal Group by Completion, it will constitute a breach of the verbal agreement between the Vendor and the Purchaser and Completion will take place if the Company cannot receive the loans advanced by the Company to the Disposal Group but all other conditions precedent are fulfilled and the Vendor effects payment of the consideration pursuant to the Agreement, the Company will issue official demand letter to the Vendor and/or take legal actions against the Vendor to demand the Vendor to effect full payment of the loan advanced by the Company to the Disposal Group upon Completion, the Company shall take legal proceedings to recover the unpaid sum in respect of the consideration and the loans advanced by the Company to the Disposal Group, the Board considers that it is fair and reasonable.

Reference is made to (i) the announcements of the Company dated 5 August 2011, 12 August 2011, 30 November 2011, 26 June 2012, 4 July 2012, 24 July 2012, 14 August 2012, 4 September 2012, 9 October 2012, 30 October 2012, 20 November 2012, 27 November 2012 and 21 December 2012 regarding the refundable deposit of HK\$41 million due from Mr. Gao Feng to the Company in respect of the major transaction of the Company in relation to the acquisition of 25% issued share capital of Galaxy Mount International Limited which was terminated in 5 August 2011, Mr. Gao Feng has fully refunded the outstanding deposit

LETTER FROM THE BOARD

to the Company on 21 December 2012; (ii) the announcements of the Company dated 28 December 2012, 6 May 2013, 8 May 2013, 28 June 2013, 8 July 2013, 23 July 2013 and 1 August 2013 relating to the exercise of put option to sell back Dragon Gain Worldwide Limited to the original vendors, the Company has instructed its legal advisors to commence legal proceedings against the vendors to recover the 4th instalment payment of HK\$10,000,000 of put option price to the Company which was originally scheduled to be settled on or before 30 June 2013; (iii) the announcements of the Company dated 20 June 2013, 24 June 2013, 11 July 2013, 18 July 2013, 23 July 2013 and 1 August 2013 relating to the indemnity sum of HK\$400,000 to be paid by Tang Tsz Hoo Anthony to the Company, Tang Tsz Hoo Anthony failed to effect the payment on the original payment due date on 11 July 2013 and the extended due date on 23 July 2013, the Company has instructed its legal advisers to commence legal proceedings against Tang Tsz Hoo Anthony to recover the overdue indemnity sum; and (iv) the announcements of the Company dated 18 July 2013, 2 August 2013 and 7 August 2013 regarding the refundable deposit of HK\$2 million due from a vendor to the Company in respect of the termination of the Acquisition, the vendor failed to effect the payment by the deadline as required under the sale and purchase agreement and as of 2 August 2013, which is the extended deadline for repayment as requested by the vendor, the Company has through its solicitors served a final demand letter to the vendor on 7 August 2013 to demand the return of the refundable deposit of HK\$2 million on or before 20 August 2013. In the event the vendor shall fail to return the refundable deposit to the Company as demanded, the Company shall take appropriate recourse against the vendor including but not limited to commence legal proceedings against the vendor to recover the refundable deposit of HK\$2 million.

As mentioned above, although the settlement of the consideration and the loans advanced by the Company to the Disposal Group are not conditions precedent to Completion under the Agreement, the Board is fully aware of the risks that the Company may not be able to receive the consideration and the loans advanced by the Company to the Disposal Group by Completion or in a timely manner and the Board has taken into account the above history of delay in settlement of receivables of the Company and discussed with the Vendor on whether the settlement of the consideration and the loans advanced by the Company to the Disposal Group could be included as a conditions precedent to Completion, no agreement could be reached with the Vendor. Given that the Board has used its best effort to negotiate with the Vendor but the Vendor refused to enter into any written agreement with the Purchaser, the Company has no better ways but to act in accordance with the terms and conditions as stipulated under the Agreement and exercise the Put Option which is the only possible way for the Purchaser to be able to get back the Option Exercise Price, notwithstanding the settlement of the consideration and the loans advanced by the Company to the Disposal Group are not conditions precedent to Completion under the Agreement, the Board considers that it has taken appropriate actions which are in the best interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

The Directors will continue to fulfill their fiduciary duties and could not proceed to Completion if the Vendor breaches the Agreement or fails to fulfill its obligation under the Agreement to settle the consideration and the Directors will take appropriate actions to recover any unpaid sum in relation to the consideration and the loans advanced by the Company to the Disposal Group and act in good faith and in the best interests of the Company.

Guarantee

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

As at the Latest Practicable Date, 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.

The Guarantor, Mr. Lai Chun Hung (“Mr. Lai”), held various management positions in a number of companies which provide accounting, financial advisory and investment services, Mr. Lai was an independent non-executive director of Soluteck Holdings Limited (renamed as China Technology Solar Power Holdings Limited) (Stock Code: 8111), a company listed on GEM, from 15 June 2010 to 4 July 2011. In addition, Mr. Lai was an executive Director from 8 December 2010 to 11 September 2011.

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of travel agent services, advertising and marketing services and trading of securities in Hong Kong. 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 (the “Acquisition”) 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. As disclosed in the announcement of the Company dated 8 July 2013, as of 8 July 2013, being the long stop date of the sale and purchase agreement for the Acquisition, some of the conditions precedent to the Acquisition had not been fulfilled. After negotiation between Fame Network Limited (the purchaser), a wholly owned subsidiary of the Company, and the vendor of the Acquisition, the Board decided that the long stop date of the Acquisition would not be further extended. Accordingly, the sale and purchase agreement of the Acquisition lapsed with effect from 5:00 p.m. on 8 July 2013. The Directors consider that this would avoid further expenses to be incurred by the Group and is in the interests of the Company and Shareholders as a whole. 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 vendors at the pre-agreed put option price of HK\$49,200,000 and thereby discontinued 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 vendors.

LETTER FROM THE BOARD

INFORMATION OF FOUNTAIN CITY

As at the Latest Practicable Date, 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 Disposal Group

Set out below are the unaudited financial information of the Disposal Group for the two years ended 31 December 2012 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2011 unaudited HK\$'000	For the year ended 31 December 2012 unaudited HK\$'000
Turnover	1,178	277
Loss before tax attributable to the owners of the Disposal Group	5,792	6,377
Loss after tax attributable to the owners of the Disposal Group	5,792	6,377

As at 31 March 2013, the unaudited net liabilities of the Disposal Group amounted to approximately HK\$27.70 million which include an interest free loans advanced by the Company to the Disposal Group in the total amount of HK\$6,244,000. As at the Latest Practicable Date, the loans advanced by the Company to the Disposal Group amounted to HK\$6,244,000 and such amount is not included in the Option Exercise Price and will be settled on or before Completion by way of cash.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Estimated gain on disposal

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

The estimated gain on the Disposal amounting to approximately HK\$15.01 million, which is calculated based on (a) the consideration for disposing the Disposal Group, amounting to HK\$58.65 million, (b) unaudited net liabilities as at 31 December 2012 of the Disposal Group of HK\$25.85 million, (c) non-controlling interests of the Disposal Group as at 31 December 2012 of HK\$10.84 million and (d) the fair value on Put Option previously recognized of HK\$58.65 million as at 31 December 2012. It is estimated that the legal and professional fees of the Disposal amounting to approximately HK\$1 million.

LETTER FROM THE BOARD

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

Earnings

Based on the consolidated statements of comprehensive income of the Company contained in the 2012 annual report of the Company published on 27 March 2013 (the "2012 Annual Report"), the loss attributable to the Shareholders for the year ended 31 December 2012 was approximately HK\$46.0 million.

As extracted from the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 1 January 2012, the unaudited pro forma loss attributable to the Shareholders for the year ended 31 December 2012 would have been decreased by approximately HK\$20.39 million.

Net assets

Based on the consolidated statements of financial position of the Company contained in the 2012 Annual Report, the audited consolidated total assets and total liabilities of the Group as at 31 December 2012 was approximately HK\$158.73 million and HK\$187.80 million respectively. The audited consolidated net liabilities attributable to the Shareholders as at 31 December 2012 was approximately HK\$16.63 million.

As extracted from the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Completion had taken place on 31 December 2012, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would have become approximately HK\$153.86 million and HK\$158.07 million respectively. The unaudited pro forma net liabilities attributable to the Shareholders would have been approximately HK\$2.62 million.

Gearing

Based on the consolidated statements of financial position of the Company contained in the 2012 Annual Report, the gearing ratio of the Group expressed in total debt as a percentage of net assets was nil.

As extracted from the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2012, the gearing ratio of the Remaining Group expressed in total debt as a percentage of net assets would have been nil.

INTENDED USE OF PROCEEDS

The net proceeds payable to the Group are expected to be approximately HK\$57.65 million. The Directors expect that such net proceeds will be applied as follows:

- (a) approximately HK\$32 million will be used for the repayment of the principal amount of the New Loan Facility (assuming that the maturity date of the New Loan Facility can be extended for 180 days) upon receipt of the proceeds;

LETTER FROM THE BOARD

- (b) approximately HK\$21.2 million will be used for the partial early repayment of the convertible note issued by the Company on 28 March 2011 in an outstanding principal amount of HK\$28,080,000; and
- (c) the remaining balances will be used for general working capital, including (i) approximately HK\$2 million for rent and salary; (ii) approximately HK\$1.5 million for regular legal and professional fee of the Company; and (iii) approximately HK\$0.95 million for settling the account payable of the Company.

As disclosed in the announcement of the Company dated 27 May 2013, the Company has entered into the New Loan Facility. The Company has drawn down the New Loan Facility on 27 May 2013 to fully repay the outstanding principal amount of the Term Loan Facility. For the repayment schedule of the New Loan Facility, the Company has to repay the remaining balance of HK\$32 million by the maturity date on 26 August 2013. Having considered that the proceeds from the Disposal is unlikely to be received by the maturity date of the New Loan Facility, the Company is negotiating with HEC Finance 92 Limited for an extension of the maturity date of the New Loan Facility for 180 days. As at the Latest Practicable Date, no concrete terms or conclusion has been made in relation to the proposed extension of the maturity date of the New Loan Facility. The Company will make further announcement to update the Shareholders on the progress of the proposed extension of the maturity date of the New Loan Facility. In the event that the maturity date of the New Loan Facility could not be extended, the Company will seek loan financing from financial institutions or may conduct equity fund raising activities to finance the repayment of the New Loan Facility and such portion of the proceeds from the Disposal of approximately HK\$32 million will be used as to approximately HK\$7 million for repayment of the convertible note and approximately HK\$12 million for general working capital of the Group, and approximately HK\$13 million for the Proposed Acquisition, if materialised or other possible acquisition. As at the Latest Practicable Date, there is no estimated amount of consideration relating to the Proposed Acquisition and save for the Proposed Acquisition, the Company had not identified any suitable investment opportunities and was not in discussions for any investment projects. The Company will make further announcement as and when appropriate in accordance with the GEM Listing Rules to update the Shareholders if there is any change to the intended use of proceeds from the Disposal.

The repayment schedule of the convertible note depends upon the receipt of proceeds from the Disposal. On 11 June 2013, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed with the Company to place 13,110,000 Placing Shares on a best efforts basis to not less than six placees who and whose ultimate beneficial owners are Independent Third Parties at the placing price of HK\$0.60 per Placing Share. The actual use of the net proceeds from the Placing of approximately HK\$7.60 million are as follows: (a) HK\$5 million for repayment of the New Loan Facility on 25 June 2013; and (b) approximately HK\$2.6 million for the Group's general working capital. For more details, please refer to the announcements of the Company dated 11 June 2013 and 25 June 2013.

LETTER FROM THE BOARD

CASH POSITION OF THE GROUP

HK\$'000

As at 31 December 2012

4,491

The change in cash position of the Group from 31 December 2012 to 30 June 2013 has taken into account the following events:

Corporate activities	Gross proceeds <i>(HK\$'000)</i>	Amount received <i>(HK\$'000)</i>	Actual usage <i>(HK\$'000)</i>	Details of actual usage
1. Put option to sell back Dragon Gain Worldwide Limited to the original vendors	49,200			
- Put option price received on 28 December 2012		7,000	7,000	Repayment of Term Loan Facility
- Put option price received on 28 February 2013		10,000	10,000	Repayment of Term Loan Facility
- Put option price received on 7 May 2013		10,000	10,000	Repayment of Term Loan Facility
2. Open Offer completed on 15 May 2013	65,647	65,647	60,000	Repayment of Term Loan Facility
			1,346	Legal & professional fee
			1,969	Underwriting commission
			1,384	Operating expenses, including HK\$208,000 for other legal and professional fee, HK\$653,000 for Director's remuneration and salaries, HK\$224,000 for rent, HK\$162,000 for insurance and HK\$137,000 for other expenses
			948	General working capital
3. Compensation for non-fulfillment of the profit guarantee in relation to the acquisition of Creative Star Limited received on 27 May 2013	12,732	12,732	12,732	Repayment of Term Loan Facility
4. Placing completed on 25 June 2013	7,866	7,866	5,000	Repayment of New Loan Facility
			197	Placing commission
			736	Operating expenses, including HK\$207,000 for legal and professional fee, HK\$140,000 for interest of convertible notes and HK\$389,000 for other expenses
			1,933	General working capital

LETTER FROM THE BOARD

The cash position of the Group as at 30 June 2013 was arrived at after including the above corporate activities

	<i>HK\$'000</i>
As at 30 June 2013	3,152

As at the Latest Practicable Date, the Group expects to have the following cash inflow:

	Amount receivable <i>(HK\$'000)</i>	Expected date of receive	<i>Notes</i>
1. Put option price to be received from sell back Dragon Gain Worldwide Limited to the original vendors	10,000	Depends on the result of legal action taken by the Company	<i>(i)</i>
	12,200	31 August 2013	
2. Indemnity sum to be received in relation to a writ of summons issued by Good Alliance Trading Limited	400	Depends on the result of legal action taken by the Company	<i>(ii)</i>
	2,000	receivable by five instalments with the last instalment to be received no later than 8 May 2014	<i>(ii)</i>
3. Refund of deposit from the Acquisition	2,000	20 August 2013	<i>(iii)</i>
4. Option Exercise Price	58,650	By February 2014	<i>(iv)</i>
5. Loans advanced to the Disposal Group	6,244	By February 2014	<i>(v)</i>
	91,494		

Notes:

- (i) As disclosed in the announcements of the Company dated 28 June 2013, 8 July 2013, 23 July 2013 and 1 August 2013, the vendors requested for postponement of the fourth instalment payment of HK\$10,000,000 from 30 June 2013 to 8 July 2013. On 8 July 2013, the vendors requested for further postponement of payment thereof until 15 July 2013. On 16 July 2013, the Company has issued a warning letter to the vendors through solicitor to demand the vendors to effect payment of the fourth instalment payment on or before 23 July 2013. As disclosed in the announcement of the Company dated 1 August 2013 and as at the Latest Practicable Date, the vendors have failed to effect the payment, the Company has instructed its legal advisors to commence legal proceedings against the vendors to recover the fourth instalment payment of HK\$10,000,000 of put option price. The Company will make further announcement as and when appropriate to update the Shareholders in this regard.

LETTER FROM THE BOARD

- (ii) Reference is made to the announcements of the Company dated 20 June 2013, 24 June 2013, 11 July 2013, 18 July 2013, 23 July 2013 and 1 August 2013 relating to a writ of summons (the "Writ B") filed with the High Court of Hong Kong whereas the Company is named as one of the defendants in the Writ B for claiming a guaranteed reward for the sum of HK\$2,400,000. Please refer to the paragraph headed "Litigation" in Appendix IV to this circular for further details. As disclosed in the announcement of the Company dated 23 July 2013, Tang Tsz Hoo Anthony of the vendors ("Tang") failed to effect the payment of HK\$400,000 upon execution of the settlement deed entered into between the plaintiff, the Company and Tang on 11 July 2013 and the Company has served a final reminder to Tang on 16 July 2013 to demand the payment of HK\$400,000 on or before 23 July 2013. As disclosed in the announcement of the Company dated 1 August 2013 and as at the Latest Practicable Date, Tang failed to effect the payment of HK\$400,000 and the Company has instructed its legal advisors to commence legal proceedings against Tang to recover the first instalment payment of HK\$400,000 of the indemnity sum. The Company will make further announcement as and when appropriate to update the Shareholders in this regard.
- (iii) According to the sale and purchase agreement dated 26 November 2012, the deposit shall be refunded, without any interest, to the purchaser on demand within 5 business days after the long stop date, being 8 July 2013. As disclosed in the announcement of the Company dated 18 July 2013, the vendor has informed the Company that he was unable to refund the deposit in due course and has requested for indulgence to postpone payment thereof until 2 August 2013. As disclosed in the announcement of the Company dated 2 August 2013, the vendor failed to effect the payment. As disclosed in the announcement of the Company dated 7 August 2013, the Company has through its solicitors served a final demand letter to the vendor on 7 August 2013 to demand the return of the refundable deposit of HK\$2 million on or before 20 August 2013. In the event the vendor shall fail to return the refundable deposit to the Company as demanded, the Company shall take appropriate recourse against the vendor including but not limited to commence legal proceedings against the vendor to recover the refundable deposit of HK\$2 million.
- (iv) The Option Exercise Price is expected to be received by the Company on or before Completion. Assuming that the Disposal will be approved by the Shareholders by end of August 2013, the Option Exercise Price will be received by the Company on or before Completion, i.e. by February 2014.
- (v) The loans advanced to the Disposal Group by the Company will be settled on or before Completion. Assuming the Disposal will be approved by the Shareholders by end of August 2013, such amount will be received by the Company on or before Completion, i.e. by February 2014.

As at the Latest Practicable Date, the funding needs of the Group are as follows:

	<i>HK\$'000</i>	
1. New Loan Facility	32,000	due on 26 August 2013
2. Claims endorsed to the writ of summons issued by Good Alliance Trading Limited	2,000	payable by five instalments with the last instalment to be paid no later than 11 May 2014
3. 2% convertible note issued by the Company in an outstanding principal amount of HK\$28.08 million	28,080	due on 28 March 2014
4. Finance lease	150	due on 25 March 2015
	62,230	

LETTER FROM THE BOARD

The Company's measures and actions taken or will take to safeguard the assets of the Company

Reference is made to (i) the announcements of the Company dated 5 August 2011, 12 August 2011, 30 November 2011, 26 June 2012, 4 July 2012, 24 July 2012, 14 August 2012, 4 September 2012, 9 October 2012, 30 October 2012, 20 November 2012, 27 November 2012 and 21 December 2012 regarding the refundable deposit of HK\$41 million due from Mr. Gao Feng to the Company in respect of the major transaction of the Company in relation to the acquisition of 25% issued share capital of Galaxy Mount International Limited which was terminated in 5 August 2011, Mr. Gao Feng has fully refunded the outstanding deposit to the Company on 21 December 2012; (ii) the announcements of the Company dated 28 December 2012, 6 May 2013, 8 May 2013, 28 June 2013, 8 July 2013, 23 July 2013 and 1 August 2013 relating to the exercise of put option to sell back Dragon Gain Worldwide Limited to the original vendors, the Company has instructed its legal advisors to commence legal proceedings against the vendors to recover the 4th instalment payment of HK\$10,000,000 of put option price to the Company which was originally scheduled to be settled on or before 30 June 2013; (iii) the announcements of the Company dated 20 June 2013, 24 June 2013, 11 July 2013, 18 July 2013, 23 July 2013 and 1 August 2013 relating to the indemnity sum of HK\$400,000 to be paid by Tang Tsz Hoo Anthony to the Company, Tang Tsz Hoo Anthony failed to effect the payment on the original payment due date on 11 July 2013 and the extended due date on 23 July 2013, the Company has instructed its legal advisers to commence legal proceedings against Tang Tsz Hoo Anthony to recover the overdue indemnity sum; and (iv) the announcements of the Company dated 18 July 2013, 2 August 2013 and 7 August 2013 regarding the refundable deposit of HK\$2 million due from a vendor to the Company in respect of the termination of the Acquisition, the vendor failed to effect the payment by the deadline as required under the sale and purchase agreement and as of 2 August 2013, which is the extended deadline for repayment as requested by the vendor, the Company has through its solicitors served a final demand letter to the vendor on 7 August 2013 to demand the return of the refundable deposit of HK\$2 million on or before 20 August 2013. In the event the vendor shall fail to return the refundable deposit to the Company as demanded, the Company shall take appropriate recourse against the vendor including but not limited to commence legal proceedings against the vendor to recover the refundable deposit of HK\$2 million.

The Board is fully aware of the risks that the consideration and the loans advanced by the Company to the Disposal Group are not conditions precedent to Completion under the Agreement, the Company may not be able to receive the consideration and the loans advanced by the Company to the Disposal Group by Completion or in a timely manner and the Board has taken into account the above history of delay in settlement of receivables of the Company. In light of the postponements of certain receivable amounts ("Receivables") of the Company as mentioned above, the Company has instructed its legal advisers to (i) issue official demand letters to the payers of the Receivables to demand them to effect full payments of the overdue sums and to threaten legal actions against them if they failed to effect full payment of the overdue sums; (ii) retain litigation search agency to conduct legal action searches against payers of the Receivables to check if any of them are involved in other recovery legal action as defendant. The Company will retain commercial credit agency to conduct independent credit check and investigation on the payers of the Receivables to assess the financial positions and monitor any adverse financial position change of those payers.

LETTER FROM THE BOARD

The Board considers that legal actions against the payers of the Receivables will be the last resort to be taken by the Company to recover those sums from their respective payers and before the Company should take this last resort, it will be of the benefit of the Company and to resolve the problems with the failures of those payers to effect payment punctually, which the Company was represented were due to cash flow problems of those payers that they were trying to resolve including by means of borrowing and any legal actions taken by the Company against those payers may in fact under-mind their ability to borrow and raise finance to effect payments to the Company. The Company has been engaged in close discussions and negotiations with those payers since they have defaulted in their respective payments to the Company to try to keep abreast with their financial positions, and what they propose to do to remedy the defaults.

The Board considers that the internal control systems of the Company are sound and effective in:

- (1) deciding to exercise the put options so as to safeguard the poorly performed projects would not produce any further adverse effect to the Company's financial position and to safeguard the right to exercise the put options would not be lapsed. The payers of the put option price for put back Dragon Gain Worldwide Limited may not have performed their instalment payment obligations of the put option price strictly however the Board considers that its ability to have continuing monitor of the financial position of the payers throughout the put option period is limited and that the imperfect of information on the payers' ability or inability to effect punctual payment of the put option price was not necessary the decisive criteria in considering whether to exercise or not exercise the put option;
- (2) deciding to require Tang Tsz Hoo Anthony, the payers for the indemnity sum, to indemnifying the Company over the guarantee and joining in the deed of settlement so as to pass on the Company's obligations under the guarantee to the payers for the indemnity sum on the exercise of the put option; and
- (3) deciding not to proceed with the Acquisition as the conditions precedent essential to the Acquisition have not been satisfied within a reasonable time despite the extension of times. The vendor may not have performed its obligation to refund the refundable deposit to the Company strictly in accordance with the agreement, however, the Board considers that its ability to have continuing monitor of the financial position of the vendor is limited and that the imperfect of information on the vendor's ability or inability to effect punctual refund of the refundable deposit was not necessary the decisive criteria in considering whether to proceed or not to proceed with the Acquisition.

The Board however considers that there are rooms for improvement of the Company's internal control systems with the possibility of requesting counterparties to provide the Company with collaterals over any deposit paid or receivables due to the Company, however, the Board must stress that such request may not always be workable and must be balanced with commercial reality and market practices that the Company

LETTER FROM THE BOARD

have to face in conducting its businesses. The Board will look into ways to improve its internal control systems and make appropriate statements in its corporate governance report.

The Board consider that they have fulfilled fiduciary duties and duties of skill, care and diligence under Rule 5.01 of the GEM Listing Rules to act in good faith in the interests of the Company and its Shareholders as a whole in:

- (1) exercising the put option to put back the entire issued share capital of Dragon Gain Worldwide Limited to its original vendors as the profits generated from the relevant project did not match the expected profits guaranteed by the original vendors which the Directors considered was in the best interest of the Company and its Shareholders as a whole; and
- (2) joining Tang Tsz Hoo Anthony as a party to the deed of settlement for the action to confirm his indemnity to the Company over the claim by the guarantor against the Company is prudent and is an act in the interest of the Company and its Shareholders as a whole.

The Directors considers that the best way to handle the default is try to discuss and negotiate with the payers for a solution instead of taking immediate legal action, however, if the Directors consider the payers have no sincerity and capability to resolve the problem, the Directors will have no hesitation to take other means including legal actions against the payers to recover the outstanding receivable amount.

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.

Prior to the acquisition of Fountain City, the Board conducted legal and financial due diligence on Fountain City in respect of its business, operation, financial and corporate background and to understand the prospect and potential of its businesses. In addition, the Board engaged an independent valuer to prepare a business valuation report on Fountain City. Based on the valuation report prepared by the independent valuer, the market value of 100% equity interest in Fountain City as at 30 September 2010 amounted to HK\$73 million. With reference to the valuation, the Company is of the opinion that the consideration for acquisition of 51% equity interest in Fountain City of HK\$34.5 million, which represents a discount of approximately 7.3% to its market value, is fair and reasonable. Moreover, the management of the Company negotiated for a put option as term and condition of the acquisition in case the profits generated from this project do not meet expectation as mechanism to protect the Company's investment in the project. The Board considered that the Board has performed sufficient due diligence prior to the acquisition of Fountain City.

LETTER FROM THE BOARD

The Company owns 51% interest in Fountain City, the Board considers that the delegation of operation and management of the Disposal Group to the Vendor in accordance with the mutual agreement between the Purchaser and the Vendor is appropriate as one of the operators, Maria Cordero is well known and experienced in the entertainment and talent agency businesses. The Board considers that her experience and connection in the entertainment and talent agency businesses would be favourable to streamline the operation of the Disposal Group and enhance the business opportunity to the Disposal Group. Although the Company takes the role as an investor while the Vendor takes the management role on business operation and responsible for the Official License application, the Board has approached the Vendor from time to time in order to get updates on the progress of obtaining the Official License by Macau Talent and the scheduled commencement of business of the talent academy since the completion of the acquisition of Fountain City in October 2010 and the Company understands from the Vendor that the business would be commenced in September 2011. Besides, the Board assigned a Director to have a site visit in Macau, from time to time, enquired the financial performance of the Disposal Group and implementation of the plans of the project and took necessary counter measure such as costs control to mitigate the losses of Fountain City in view of the under-performance of the Disposal Group and delay in granting of the Official License to Macau Talent that has adversely affected the implementation of the plans under the project. As disclosed in the third quarterly report 2012 of the Company dated 12 November 2012, the Company understands from the Vendor that it was expected that enrollments of the training courses would commence in the fourth quarter of 2012. The Board understands from the auditors of the Company that in the course of preparing the audited financial results of the Group for the year ended 31 December 2012, the Official License had not been obtained by Macau Talent. As at the Latest Practicable Date, the Company has not received any concrete reply nor any details about the reasons for the delay in granting the Official License to Macau Talent and the scheduled commencement of business of the talent academy from the Vendor. In light of the above, the Board considers that the Board has fulfilled fiduciary duties and duties of skill, care and diligence under Rule 5.01 of the GEM Listing Rules to manage and operate the subsidiaries of the Company including the Disposal Group.

The Board is, from time to time, aware of the status of the Official License application and the financial performance of the Disposal Group. The Company understands from the Vendor that the entertainment business is still in low-pace development and the Official License of Macau Talent is in the final stage of approval. The delay in granting the Official License to Macau Talent 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 License to Macau Talent, the financial performance of the Disposal Group and the financing capability of the Company, it is reasonable and in the best interest of the Company and the Independent Shareholders as a whole to dispose of the Disposal Group.

Having considered that (i) the actual gross profits generated by the Disposal Group for the First Period and Second Period were less than the expected Gross Profits for the respective periods; (ii) the Option Exercise Price represents a premium to the

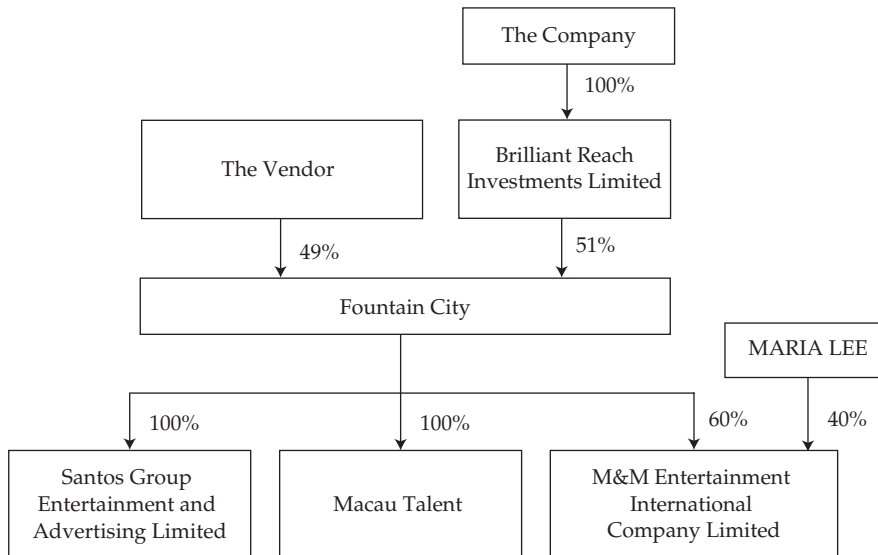
LETTER FROM THE BOARD

consideration under the Agreement; (iii) the receipt of the Option Exercise Price will improve the tighten financial position of the Group and enhance its working capital base; and (iv) to put back the Disposal Group to the Vendor could reduce the financial burden of the Group and improve its financial performance, the Board decided to exercise the Put Option and the Directors consider that the terms of the Disposal are fair and reasonable and are in the interest of the Group and the Independent Shareholders as a whole.

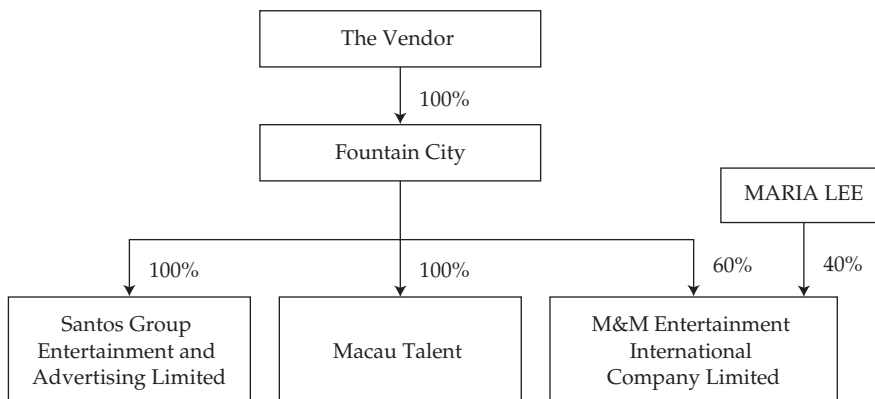
SHAREHOLDING STRUCTURE OF THE DISPOSAL GROUP

Set out below is the shareholding structure of the Disposal Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

Shareholding structure of the Disposal Group as at the Latest Practicable Date



Shareholding structure of the Disposal Group immediately after Completion



LETTER FROM THE BOARD

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 Latest Practicable Date, 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 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Directors has a material interests in the Disposal, the Vendor, Maria Cordero and Maria Lee and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the Latest Practicable Date. Therefore, no Shareholder is required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Disposal and the transactions contemplated thereunder. If the Vendor, Maria Cordero, Maria Lee and their respective associates hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolution to be proposed at the EGM in relation to the Disposal and the transactions contemplated thereunder.

THE EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
TLT Lottotainment Group Limited
Yip Man Yi
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Disposal.



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

8 August 2013

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO EXERCISE OF PUT OPTION

We refer to the circular of the Company to the Shareholders dated 8 August 2013 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

We wish to draw your attention to the letter of advice from Goldin Financial as set out on pages 26 to 46 of the Circular and the letter from the Board as set out on pages 5 to 24 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of Goldin Financial as stated in its letter of advice, we consider that the Disposal and its terms are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the ordinary resolution in relation to the Disposal to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Li Kwok Chu

Mr. Chiu Koon Shou
the Independent non-executive Directors

Mr. Lau Shu Yan

LETTER OF ADVICE FROM GOLDIN FINANCIAL

The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal which has been prepared for the purpose of inclusion in this circular.



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

Goldin Financial Limited

23/F

Two International Finance Centre

8 Finance Street

Central

Hong Kong

8 August 2013

*To the Independent Board Committee and
the Independent Shareholders of
TLT Lottotainment Group Limited*

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO EXERCISE OF PUT OPTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are contained in the letter from the Board (the "Letter from the Board") of the circular of the Company dated 8 August 2013 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 the Purchaser will dispose of the Option Shares to the Vendor by requiring the Vendor to purchase the Option Shares from the Purchaser at the Option Exercise Price.

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 Latest Practicable Date, 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 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.

LETTER OF ADVICE FROM GOLDIN FINANCIAL

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu, being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders as to whether the Disposal is on normal commercial terms and is fair and reasonable and whether the Disposal is in the interests of the Company and the Independent Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Goldin Financial Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, and to make recommendations as to, among others, whether the Disposal is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to voting in respect of the relevant resolution at the EGM.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the announcement of the Company dated 7 January 2013 (the "Announcement"), the Agreement, the Option Notice, the interim report of the Company for the six months ended 30 June 2012 and the annual report of the Company for the year ended 31 December 2012. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the Disposal, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes in respect of the Disposal as soon as possible.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for the Disposal to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or any material information given to us is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

LETTER OF ADVICE FROM GOLDIN FINANCIAL

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, and this letter, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation on the Disposal to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the provision of travel agent services, advertising and marketing services and trading of securities in Hong Kong. On 28 December 2012, the Group exercised a put option and put back the entire issued share capital of Dragon Gain Worldwide Limited (“Dragon Gain”) to its original vendors at the put option price of HK\$49,200,000 and thereby discontinue with operation of stage drama.

Set out below are the audited financial information of the Group for the two years ended 31 December 2011 and 2012 as extracted from the annual report of the Company for the year ended 31 December 2012:

Table 1: Financial highlights of the Group

	For the year ended	
	31 December	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
(From continuing operations)	(audited)	(audited)
Turnover	24,176	23,194
Loss after taxation	<u>41,778</u>	<u>27,430</u>
	As at 31 December	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current assets	177,959	21,393
Current assets	52,365	137,340
(Current liabilities)	(103,524)	(159,863)
(Net current liabilities)	<u>(51,159)</u>	<u>(22,523)</u>
Net assets/(liabilities)	<u>9,283</u>	<u>(29,067)</u>

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For the year ended 31 December 2012, the audited turnover of the Group from continuing operations dropped to approximately HK\$23.19 million from approximately HK\$24.18 million of the prior year, representing a decrease of approximately 4.09%, and the audited loss after taxation from continuing operations was approximately HK\$27.43 million, compared to a loss of approximately HK\$41.78 million of the prior year. As at 31 December 2012, the audited net current liabilities and net liabilities of the Group were approximately HK\$22.52 million and approximately HK\$29.07 million, respectively.

2. Reasons for and benefits of the Disposal

Background information of the Disposal Group

Fountain City and its subsidiaries are engaged in the businesses of entertainment programme production, events organisation, TV-series production and operation of an artist training school in the region of Macau and Southeast Asia. As at the Latest Practicable Date, Fountain City is an indirect non-wholly owned subsidiary of the Company. Set out below is a summary of the unaudited financial information of the Disposal Group for the two years ended 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards:

Table 2: Financial highlights of the Disposal Group

	For the year ended	
	31 December	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	1,178	227
Loss before tax attributable to the owners of the Disposal Group	5,792	6,377
Loss after tax attributable to the owners of the Disposal Group	<u>5,792</u>	<u>6,377</u>

For the year ended 31 December 2012, unaudited turnover of the Disposal Group decreased by approximately 80.51% to approximately HK\$0.23 million, down from approximately HK\$1.18 million of the prior period, while the unaudited loss after tax attributable to the owners of the Disposal Group amounted to approximately HK\$6.38 million, further widen from the loss after tax of approximately HK\$5.79 million of the prior year.

As at 31 March 2013, the unaudited net liabilities of the Disposal Group amounted to approximately HK\$27.70 million.

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Background information of the Disposal

The Group, through the Purchaser, entered into the Agreement with the Vendor on 7 October 2010 to acquire 51% of the issued share capital of Fountain City (the "Initial Acquisition"). 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 Disposal Group for the First Period shall be less than HK\$15,000,000; or (ii) the Gross Profits of the Disposal 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 Disposal 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. It is noted that 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 and the right of the Purchaser to exercise the Put Option shall lapse after expiration of the relevant Option Period.

The Vendor 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 in order to save additional costs which the Vendor and the Purchaser considered not necessary given the loss making track record of the Disposal Group. As advised by the management of the Company, taking into account the unaudited turnover of the Disposal Group of only approximately HK\$0.21 million for the nine months ended 30 September 2012 based on the management accounts of the Disposal Group as acknowledged by the Vendors at the time being, it is unlikely that the actual Gross Profits for the Second Period will be as high as HK\$30 million, and we are of the view that it is justifiable for the Purchaser to waive the requirement for the issuance of the Auditors' Certificate based on the acknowledgement from the Vendor in respect of the actual Gross Profits for the Second Period as well as the unsatisfactory financial performance and financial position of the Disposal Group for the financial year ended 31 December 2011 and for the nine months ended 30 September 2012. The Put Option was subsequently exercised by the Purchaser on 28 December 2012 and a gross loss for the Second Period of approximately HK\$0.76 million was recorded (gross profit for the First Period was approximately HK\$0.11 million).

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The net proceeds from the Disposal payable to the Group are expected to be approximately HK\$57.6 million. The Directors expect that such net proceeds will be applied as to: (i) approximately HK\$32 million for the repayment of the principal amount of the New Loan Facility upon receipt of the proceeds; (ii) approximately HK\$21.2 million for the partial early repayment of the convertible note issued by the Company on 28 March 2011 in an outstanding principal amount of HK\$28,080,000; and (iii) the remaining balance of approximately HK\$4.45 million for general working capital of the Group, including (i) approximately HK\$2 million for rent and salary; (ii) approximately HK\$1.5 million for regular legal and professional fee of the Company; and (iii) approximately HK\$0.95 million for settling the account payable of the Company. As also disclosed in the Circular, there was interest-free loans advanced by the Company to the Disposal Group in the amount of approximately HK\$6.24 million (the "Shareholder's Loans"), which was lent for general working capital of the Disposal Group, and the Shareholder's Loans will be settled on or before Completion as verbally agreed between the Purchaser and the Vendor. As stated in the Letter from the Board, the Purchaser requested the Vendor to enter into a written agreement in this regard but failed to reach an agreement with the Vendor. As advised by the legal advisers of the Company, the verbal agreement between the Purchaser and the Vendor is legally binding and enforceable.

Reasons for and benefits of the Disposal

As stated in the announcement of the Company dated 7 October 2010 (the "Initial Acquisition Announcement") in relation to the Initial Acquisition and further stated in the annual report 2010 of the Company, the Directors considered that the acquisition of the equity interest in Fountain City provides an opportunity for the Group to penetrate into the entertainment industry of Macau which was then considered to be a blooming industry in the following years.

However, as stated in the Letter from the Board, the entertainment business of the Disposal Group is in low-pace development and the official school license (the "License") of the talent academy in Macau (the "Talent Academy") to be operated by the Disposal Group is still awaiting approval from the Macau government, albeit the final stage. As stated in the interim report 2012 of the Company, it was expected that enrolments of the training courses of the Talent Academy will commence in the fourth quarter of 2012 but due to the uncertainty of granting the License, the enrolments had yet begun. The delay in granting of the License to the Talent Academy has delayed the scheduled commencement of business of the Talent Academy and failed to provide any profits to the Group, adversely affecting the performance of the Disposal Group and accordingly, of the Group. As discussed above, the Disposal Group recorded unaudited loss after tax attributable to owners of the Disposal Group of approximately HK\$6.38 million for the year ended 31 December 2012, deteriorating from the loss after tax of approximately HK\$5.79 million of the prior year.

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Analysis on the Disposal Group's operating businesses

Aside from the operation of the Talent Academy which had yet obtained the License and commenced operation as at the Latest Practicable Date, the Disposal Group are currently engaged in the businesses of (i) entertainment programme production; (ii) events organisation; and (iii) TV-series production.

For the year ended 31 December 2012, unaudited turnover of the Disposal Group decreased by approximately 80.51% to only approximately HK\$0.23 million, which was solely contributed from the business of artist management, which is part of the business of events organisation. According to the management accounts of the Disposal Group for the two financial years ended 31 December 2012, the business of entertainment programme production and TV-series production, which contributed over 50% of the unaudited turnover of the Disposal Group for the year ended 31 December 2011, ceased to contribute any turnover for the year ended 31 December 2012, while turnover from the business of artist management shrank by over 50%. Fountain City was only incorporated in July 2010 and accordingly, the financial statements of the Disposal Group for the two years ended 31 December 2012 are the only annual results available for our analysis. As advised by the management of the Company, the unsatisfactory financial performance of the operating businesses of the Disposal Group, in particular entertainment programme production and TV-series production which ceased to contribute any turnover for the year ended 31 December 2012, was due to the management of the Disposal Group facing difficulty in sourcing contracts from the entertainment industry. It is further noted that based on the management accounts of the Disposal Group for the period from 1 January 2013 to 31 March 2013, the turnover recognised during the period further shrank to less than HK\$100,000. Accordingly, the financial performance of the three operating business segments of the Disposal Group alone is expected to remain unsatisfactory.

Analysis on the business of the Talent Academy

The Talent Academy was located in Macau and was established as an artist training school, with the main business objective of offering training courses to persons interested in joining the entertainment industry in the region of Macau and Southeast Asia.

We had enquired with the management of the Company as to the progress of the granting of the License and were given to understand that no definite timetable is available at the moment, notwithstanding that enrolments of the training courses was expected to commence in the fourth quarter of 2012 based on the estimation made by the Vendor, who takes up the management role of the Disposal Group and is responsible for the License application of the official license while the Company took the role of investor as discussed in the Letter from the Board. The Group has enquired the Vendor

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from time to time on the status of the License application and also enquired on the reasons for the delay in granting of the License but was unable to obtain any concrete reply regarding the reasons from the Vendor despite the attempts.

Aside from the uncertainty of the License Application as well as the unsatisfactory financial performance of the operating businesses of the Disposal Group as discussed above, we noted that the Group has in arriving at its decision to exercise the Put Option considered the potential financial performance of the Talent Academy once commencing operation, by analysing the publicly available information of listed company with business similar in nature to the Talent Academy, the particulars of which are sufficient enough to enable us to make meaningful analysis. Based on our research, we have to our best effort identified one company listed on the Stock Exchange, being an exhaustive list with sufficient information including financial information and business details, Celebrate International Holdings Limited (stock code: 8212), which is interested in 49% equity interest of a music school in Hong Kong it acquired in August 2012 (the "Comparable Business"), details of which are contained in the circular dated 9 August 2012 of Celebrate International Holdings Limited. We were given to understand that the Group has also identified and considered the Comparable Business in its analysis of the potential financial performance of the Talent Academy.

We noted that the Comparable Business is engaged in the business of provision of professional musical training for the music industry in Hong Kong. We consider that the businesses of the Talent Academy and the Comparable Business are similar in nature, that are both related to provision of trainings for the performance industry in the same geographical region which in our view subject to similar business factors such as, among others, economic environment and industry condition, and that the financial performance of the Comparable Business could provide a reference to the potential financial performance of the Talent Academy, which we consider fair to be applied for our analysis. As noted from the aforesaid circular dated 9 August 2012, the Comparable Business, which has been in operation since 2005, recorded loss after tax for three consecutive financial years ended 31 December 2011 (with gain on waiver of amounts due to a director and related company recognised as other income excluded). We concur with the Directors that the Talent Academy, without any operating history and given the unsatisfactory historical performance of the Disposal Group under the management of the Vendor, would unlikely fare better than the Comparable Business, which has a longer operating history with renowned tutors and established brand, in terms of financial performance, and that the prospect of profitability is negative.

Given the aforesaid, we are of the view that there is uncertainty with respect to the granting of the License in the near-term, and the prospect of profitability of the Talent Academy is negative once commencing operation.

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It is noted that the underperformance of the Disposal Group, with only the business of artist management generating turnover of merely around HK\$0.20 million for the year ended 31 December 2012, together with the aforesaid uncertainty of the commencement of operation of the Talent Academy as well as the negative prospect of profitability once commencing operation, led to the eventual decision to exercise the Put Option with the exercise condition having met, as the unaudited turnover of the Disposal Group reaching only approximately HK\$0.21 million for the nine months ended 30 September 2012, and actual gross loss of approximately HK\$0.76 million for the Second Period as subsequently recorded, which significantly falls short of the Gross Profits for the Second Period of less than HK\$30 million. As such, we are of the view that the operating businesses of the Disposal Group would remain underperforming and that the Talent Academy, given the aforesaid uncertainty, will unlikely commence operation and contribute to the revenue of the Disposal Group in the near-term, and as a result the adverse performance of the Disposal Group will likely persist. As at 31 March 2013, the unaudited net liabilities of the Disposal Group amounted to approximately HK\$27.70 million. According to the annual report 2011 of the Company, an impairment loss on the goodwill arising from the Initial Acquisition of approximately HK\$10.91 million was recorded as at 31 December 2011. According to the annual report 2012 of the Company, the Company made an impairment loss on the goodwill arising from the Initial Acquisition of approximately HK\$14.3 million. In view of the uncertainty of the granting of the License to the Talent Academy, the delay of which has already adversely affected the performance of the Disposal Group, we are of the view that the Disposal would allow the Group to discontinue the loss making operations under the Disposal Group and halt its adverse impact on the financial performance of the Group.

We have assessed alternative to the Disposal as a means to reduce the Group's interest in the Disposal Group and recoup its investments, being outright or partial disposal of interest in the Disposal Group to any external purchasers. Having discussed with the management of the Company, we noted that the Disposal Group cannot be valued under the common valuation methods such as price-to-earnings ratio and price-to-book ratio given the loss making position and the financial position of net liabilities of the Disposal Group with no prospect of turnaround as discussed above, making it difficult to determine a consideration based on the value of the Disposal Group, if any, for such disposal to external purchasers. We are of the view that the Disposal, by means of exercising the Put Option, is a direct means for the Group to dispose of its interest in the Disposal Group through applying the arrangement in place, i.e. the Put Option, at the Option Exercise Price to be analysed under the section headed "Principal terms of the Disposal" below. As such, we are of the view that the Disposal is the most appropriate means of disposing the Group's interest in the Disposal Group, and in the best interest of the Company and the Independent Shareholders.

As part of the Group's plan to discontinue its under-performed operations and to preserve the Group's resources, on 28 December 2012, the Group exercised a put option and put back the entire issued share capital of Dragon Gain to its original vendor at the put option price of HK\$49,200,000 and thereby discontinue with

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operation of stage drama which the Board considers its investment in Dragon Gain was under-performed and could not meet with the profits guarantee under the acquisition agreement entered by the Company and its original vendors. Having considered the deteriorating performance of the Disposal Group, we are of the view that the Disposal is in line with the Company's plan to discontinue its under-performed businesses.

As stated in the Letter from the Board, the estimated gain on the Disposal is approximately HK\$15.01 million, which is calculated based on (a) the consideration for disposing the Disposal Group amounting to HK\$58.65 million, (b) unaudited net liabilities as at 31 December 2012 of the Disposal Group of HK\$25.85 million; (c) non-controlling interests of the Disposal Group as at 31 December 2012 of HK\$10.84 million; and (d) the fair value of Put Option previously recognized of HK\$58.65 million as at 31 December 2012. It is estimated that the legal and professional fees of the Disposal amount to approximately HK\$1 million. Any actual gain or loss from the Disposal will depend on the carrying value of the net assets of the Disposal Group and the fair value on derivative financial instruments upon Completion. Having considered the estimated gain on the Disposal of approximately HK\$15.01 million and on the other hand, the Disposal Group's loss making position, with unaudited loss after tax of approximately HK\$6.38 million for the year ended 31 December 2012, and the unsatisfactory financial position, with unaudited net liabilities of approximately HK\$27.70 million as at 31 March 2013, we are of the view that the Disposal represents an attractive opportunity for the Group to realise its investment in the Disposal Group.

To broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders, the Group has explored into the various businesses in addition to travel agent services, entertainment, programme production, events organisation and TV-series production, including (i) product advertising and promotion marketing agency and planning, function organisation and media project services through the acquisition of the entire issued capital of Creative Star Limited which holds 60% of the shares of Hong Kong Marketing Service Limited completed in February 2012; and (ii) securities investments and money lending business engaged since July and August 2012 respectively. On 26 November 2012, the Group entered into a sale and purchase agreement to acquire the entire issued share capital of Mass Apex Limited, the subsidiaries of which are engaged in trading of raw food materials in Hong Kong. The aforesaid sale and purchase agreement lapsed on 8 July 2013 with some of the conditions precedent thereto not having been fulfilled on the even date, being the extended long stop date, and such long stop date not being further extended. Having considered the above, we are of the view the Remaining Group has been actively pursuing suitable business opportunities and the Disposal would allow the Group to concentrate on the operations of the Remaining Group, which includes the aforesaid businesses recently acquired since 2012, in terms of management efforts and future allocation of resources.

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Having considered that (i) the Disposal Group's loss making position and the unsatisfactory financial position of net liabilities; (ii) the uncertainty of the granting of the License to the Talent Academy, the delay of which has already adversely affected the performance of the Disposal Group; (iii) the negative prospect of profitability of the Talent Academy once commencing operation as discussed above; (iv) the Disposal is in line with the Company's plan to dispose of under-performed businesses; (v) the Disposal would allow the Group concentrate its management efforts and future allocation of resources on the operations of the Remaining Group; and (vi) the Disposal with an estimated gain on the Disposal of approximately HK\$15.01 million, with the Option Exercise Price achieving a return of 70% over the Group's investment, i.e. the consideration of HK\$34.5 million for the Initial Acquisition, in Fountain City since October 2010 to be discussed below, represents an attractive opportunity for the Group to realise its investment in the Disposal Group, we are of the view that the Disposal is in the interest of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Disposal

The Option Exercise Price of HK\$58.65 million 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.

Payment term and Completion

Pursuant to the Put Option, the consideration shall be satisfied by the Vendor to the Purchaser by cash within 180 days, i.e. about 6 months, after the Disposal being approved by the Shareholders, while Completion will take place within 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. It is noted that the settlement of the consideration and the Shareholder's Loan are not conditions precedent to Completion. We were given to understand that the payment term was negotiated and agreed between the management of the Company and the Vendor taking into account the considerable amount of the Option Exercise Price relative to the financial capability of the Vendor. We have researched on announcements issued by companies listed on the Stock Exchange in the past 12 months relating to (i) grant/acquisition of put option to/by the listed company as part of an acquisition which can be exercised to dispose the acquired assets; and (ii) exercise of put option granted/acquired to/by the listed company as part of an acquisition to dispose the acquired assets, which is similar in nature to the Put Option. Based on the aforesaid criteria, we have to our best effort identified 4 transactions, being an exhaustive list, 2 of which disclosed in the respective announcement the payment term of the consideration payable under the exercise of such put options, and only 1 of which, being that of the Company in relation to the exercise of the put option to put back the entire

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issued share capital of Dragon Gain, disclosed in the respective announcement that settlement of the consideration is not a condition precedent to completion. Details of our analyses are set out in the following table:

Table 3: Analysis on payment term and completion condition

Company name (stock code)	Date of announcement	Particulars of put option	Payment term	Settlement of consideration as condition precedent to completion
Jun Yang Solar Power Investments Limited (397)	1 July 2013	Grant of a put option alongside an acquisition of the target shares announced on the even date. Exercisable until 31 December 2019 to dispose of the target shares upon occurrence of certain events. Consideration payable under the put option shall achieve a yield of 12% per annum over the acquisition cost.	Within 5 months from the exercise of the put option	Not mentioned
M Dream Inworld Limited (8100)	15 May 2013	Grant of a put option alongside an acquisition of the target shares announced on the even date. Exercisable between 1 July 2013 and 31 July 2013 to dispose of the target shares upon occurrence of certain events. Consideration payable under the put option shall be the acquisition cost plus relevant expenses incurred (capped).	Not mentioned	Not mentioned

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Company name (stock code)	Date of announcement	Particulars of put option	Payment term	Settlement of consideration as condition precedent to completion
Neway Group Holdings Limited (55)	27 February 2013	Grant of a put option alongside an acquisition of the target shares announced on the even date. Exercisable in 6 month period commencing three years after the date of the put option deed to dispose of the special purpose vehicle holding the target shares. Consideration payable under the put option shall achieve the higher of two determination bases.	Not mentioned	Not mentioned
TLT Lottotainment Group Limited (8022)	28 December 2012	Exercise of a put option granted alongside an acquisition of the target shares announced on 16 February 2011. Exercisable from 30 days after an audited accounts for the profit guarantee period are delivered to the Company. Consideration payable under the put option achieves a return of 20% to the acquisition cost.	Payable in 5 tranches every two months with the last tranche payable no later than 8 months after the exercise of the put option	Not a condition precedent to completion

We noted that the payment term observed from the above transactions are 5 months and 8 months from the date of exercise of the respective put option. However, we noted that, while the payment term under the Put Option falls within the aforesaid range, the put options reviewed are different from one another in terms of, among others, determination basis of exercise price, exercisable period and exercise conditions. Accordingly, we are of the view that it is not appropriate to compare the payment term of the aforesaid put options and that a common market practice cannot be observed. Nevertheless, in the following paragraphs under this section, we demonstrate that the payment term of 180 days after the Disposal, assuming that the Disposal to be approved by the Shareholders by the end of August 2013, would result in an investment horizon of 3 year and 4 months and a minimum average annual ROI of approximately 17.78% as implied by the Option

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Exercise Price, while may not necessarily align with the market practice which cannot be derived from the above analysis, which in our view fair and reasonable as analysed below. As such, we are of the view that the payment term is fair and reasonable.

On the other hand, we also noted that, of the 4 transactions reviewed, only the one of the Company in relation to the exercise of the put option to put back the entire issued share capital of Dragon Gain to the original vendor did disclose in its announcement that whether settlement of consideration is a condition precedent to completion, while others did not disclose such term. The disposal of Dragon Gain was announced on 28 December 2012 when the Company exercised a put option on the even date. According to the terms of the put option, settlement of consideration is not a condition precedent to completion. The consideration for the said disposal of HK\$49.2 million shall be payable in five tranches every two months with the last tranche payable no later than 8 months after the exercise of the put option, being 31 August 2013. As announced by the Company on 6 May, 8 May, 28 June, 8 July and 23 July 2013, the original vendor has effected the first three instalments of payment totalling HK\$27 million but failed to effect the fourth instalment of payment of HK\$10 million due on 30 June 2013. It was further announced on 1 August 2013 that the Company has instructed its legal advisors to commence legal proceedings against the original vendor to recover the said amount. As with the analysis on payment term above, due to that the put options reviewed are different from one another, a common market practice cannot be observed on terms relating to condition precedent to completion.

As advised by the management of the Company, there is no detailed payment schedule for the settlement of the consideration under the Disposal which is to be satisfied within 180 days after the Disposal being approved by the Shareholders. Such payment term including the payment schedule was negotiated and agreed between the management of the Company and the Vendor taking into account the considerable amount of the Option Exercise Price relative to the financial capability of the Vendor. As stated in the Letter from the Board, the Board has discussed with the Vendor on whether the settlement of consideration could be included as a condition precedent to Completion and the consideration could be settled by instalments within 180 days after the Disposal is approved by the Shareholders, however, no agreement could be reached with the Vendor. Notwithstanding the above, we were given to understand that Completion will take place within 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, which includes Shareholders' approval on the Disposal, same as that for the settlement of the consideration. In the event that the Vendor fails to effect payment of the consideration by Completion, it will constitute a breach of the Agreement by the Vendor and Completion could not take place under the Agreement and the Company shall take appropriate recourse against the Vendor including but not limited to commence legal proceedings to recover the consideration. This implies that Completion could not take place under

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the Agreement if the Company does not receive the consideration, essentially making settlements of the consideration a condition precedent to Completion. As such, despite the fact that settlements of the consideration is not explicitly a conditions precedent to Completion, under the current provisions Completion could not take place under the Agreement before settlement of the consideration which will avoid the chance of the Vendor defaulting on any outstanding amount of the consideration after Completion. Accordingly, we are of the view that the current provisions offer sufficient protection to the Company in terms of securing settlement of the consideration before Completion and the fact that settlements of the consideration not being conditions precedent to Completion is fair and reasonable.

On the other hand, settlement of the Shareholder's Loan is a verbal agreement between the Group and the Vendor, but not part of the terms of the Agreement. Breach of the aforesaid verbal agreement and any non-performance of the Disposal Group as debtor in respect of the repayment of the Shareholder's Loan will not constitute a breach of the Agreement. This implies that Completion could take place before settlement of all or part of the Shareholder's Loan. We were given to understand that, the Group has too discussed with the Vendor on whether the settlement of the Shareholder's Loan could be included as a condition precedent to Completion, but no agreement could also be reached with the Vendor as with the case of the settlement of the consideration.

In this respect, we have studied and noted the following history of delay in settlement of receivables of the Company, in addition to the delay in settlement of the consideration in relation to the exercise of the put option to put back the entire issued share capital of Dragon Gain as discussed above. Reference is made to (i) the announcements of the Company dated 5 August 2011, 12 August 2011, 30 November 2011, 26 June 2012, 4 July 2012, 24 July 2012, 14 August 2012, 4 September 2012, 9 October 2012, 30 October 2012, 20 November 2012, 27 November 2012 and 21 December 2012 regarding the refundable deposit of HK\$41 million due from Mr. Gao Feng to the Company in respect of the major transaction of the Company in relation to the acquisition of 25% issued share capital of Galaxy Mount International Limited which was terminated in 5 August 2011, Mr. Gao Feng has fully refunded the outstanding deposit to the Company on 21 December 2012; (ii) the announcements of the Company dated 20 June 2013, 24 June 2013, 11 July 2013, 18 July 2013, 23 July 2013 and 1 August 2013 relating to the indemnity sum of HK\$400,000 to be paid by Tang Tsz Hoo Anthony to the Company, Tang Tsz Hoo Anthony failed to effect the payment on the original payment due date on 11 July 2013 and the extended due date on 23 July 2013, the Company has instructed its legal advisers to commence legal proceedings against Tang Tsz Hoo Anthony to recover the overdue indemnity sum; and (iii) the announcements of the Company dated 18 July 2013, 2 August 2013 and 7 August 2013 regarding the refundable deposit of HK\$2 million due from a vendor to the Company in respect of the termination of the acquisition of the entire issued share capital of Mass Apex Limited, the vendor failed to effect

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the payment by the deadline as required under the sale and purchase agreement and as of 2 August 2013, which is the extended deadline for repayment as requested by the vendor, the Company has through its solicitors served a final demand letter to the vendor on 7 August 2013 to demand the return of the refundable deposit of HK\$2 million on or before 20 August 2013. In the event the vendor shall fail to return the refundable deposit to the Company as demanded, the Company shall take appropriate recourse against the vendor including but not limited to commence legal proceedings against the vendor to recover the refundable deposit of HK\$2 million.

While in our view the above history does not directly indicate the risk of delay in settlement of the consideration for the Disposal and the Shareholder's Loan given the counterparties to the said transactions are unrelated to the Vendor, we consider that the risks faced by the Group in relation to the Disposal Group consist of (1) risk of the Vendor delaying / defaulting on the settlement of the consideration to the Group under the Put Option; and (2) risk of the Disposal Group, as debtor, delaying / defaulting on the repayment of the Shareholder's Loan to the Group, as creditor. The first risk is covered by the current provisions under the Put Option, with settlement of the consideration in essence a condition precedent to Completion as discussed earlier in this section. In the event that consideration is not settled and Completion does not take place, the Group's interest and rights in the Disposal Group remains unchanged and the Group reserves the rights to take appropriate recourse against the Vendor. The second risk is covered by the verbal agreement between the Group and the Vendor as well as by the rights of the Group as creditors under the stipulated laws. As advised by the legal advisers of the Company, the verbal agreement between the Purchaser and the Vendor is legally binding and enforceable. We were given to understand that when other conditions precedent are fulfilled and the Vendor effects payment of the consideration pursuant to the Put Option, upon Completion, the Company will issue official demand letter to the Vendor to demand the Vendor to effect full repayment of the Shareholder's Loan, and the Group will take legal actions against the Vendor to enforce full repayment of the Shareholder's Loan, in the event that the Vendor fails to effect repayment by the agreed time.

We noted that the Put Option was granted to the Group at the time of Initial Acquisition back in October 2010 with the sole aim to secure the return to the Group's equity investment in the Disposal Group. The Shareholder's Loan was advanced to the Disposal Group at the sole discretion of the Group outside the scope of the Agreement and the Put Option. Of the 4 transactions reviewed in our analysis above, none contains terms concerning repayment of loan advanced subsequent to initial acquisition by the disposing party. Nevertheless, the Group took the initiative to negotiate and reach the verbal agreement, legally binding and enforceable, with the Vendor in respect of the repayment of the Shareholder's Loan with an aim to seek further protection to the Group and the Shareholders in respect of the Shareholder's Loan, thereby allowing the Group to entirely liquidate its investments in the Disposal

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Group. For illustration, the amount secured to be received before Completion could take place is HK\$58.65 million, being the consideration for the Disposal, representing over 90% of the sum of the consideration and the Shareholder's Loan of approximately HK\$64.89 million. Given the aforesaid factors, and having taken into account the risk of delay in recovering the Shareholder's Loan and the history of delay in settlement of receivables of the Company, we are of the view that the terms of the Disposal, while repayment of the Shareholder's Loan is not a condition precedent to Completion, are fair and reasonable.

Option Exercise Price

Pursuant to the Agreement, the Group, through the Purchaser, acquired from the Vendor 51% interest in the issued share capital of Fountain City at a consideration of HK\$34.50 million (the "Acquisition Consideration"), as to HK\$15 million settled by payment in cash and HK\$19.5 million settled by way of issuance of 54,166,667 Shares. As disclosed in the Acquisition Announcement, the Option Exercise Price shall be determined as (i) in the event the Purchaser elects to exercise the Put Option by reference to the Gross Profits for the First Period, the Option Exercise Price shall be equivalent to 120% of the Acquisition Consideration (i.e. HK\$41.40 million); and (ii) in the event the Purchaser elects to exercise the Put Option by reference to the Gross Profits for the Second Period, the Option Exercise Price shall be equivalent to 170% of the Acquisition Consideration (i.e. HK\$58.65 million).

To assess the return to the Group's investment in the Disposal Group, we have made the following calculations on the return on investment (ROI) of the Disposal:

(i) ROI on investment amount comprising Acquisition Consideration only

Taking into account the Acquisition Consideration of HK\$34.5 million only as the investment amount, the Disposal offers a ROI of 70% over the Group's investment in the Disposal Group over an investment horizon since November 2010 (completion of the acquisition pursuant to the Agreement took place on 22 October 2010), calculated as follows:

$$\frac{\text{HK\$58.65 million} - \text{HK\$34.5 million}}{\text{HK\$34.5 million}} \times 100\% = 70\%$$

To calculate the average annual ROI of the Disposal, the investment horizon needs to be determined. The investment horizon is defined as the period of investment starting from the date of completion of the Initial Acquisition, i.e. 22 October 2010, to the latest date on which the consideration for the Disposal is to be paid, which is within 180 days after the Disposal being approved by the Shareholders. We adopted the assumption that the Disposal, if approved, would be approved by the end of August 2013. Under such assumption, the consideration would be paid no later than 180 days from August 2013, i.e. February 2014. Accordingly, the hypothetical investment

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horizon would be about 3 years and 4 months (from November 2010 to February 2014) (the "Investment Period"). The average annual ROI of the Disposal over the Investment Period would be 21%, calculated as follows:

$$\frac{\text{HK\$58.65 million} - \text{HK\$34.5 million}}{\text{HK\$34.5 million}} \times 100\% / \frac{40}{12} = 21\%$$

(ii) *ROI on investment amount comprising both Acquisition Consideration and the Shareholder's Loans*

Taking into account both (a) the Acquisition Consideration of HK\$34.5 million; and (b) the Shareholder's Loans of approximately HK\$6.24 million as the investment amount, the total capital invested by the Group adds up to approximately HK\$40.74 million. The return from the aforesaid total capital invested adds up to approximately HK\$64.89 million, comprising the Option Exercise Price of HK\$58.65 million and the Shareholder's Loans of approximately HK\$6.24 million, being the aggregate amount to be received from the Disposal (with the Shareholder's Loans to be settled on or before Completion). The Disposal offers a ROI of approximately 59.28% over the Group's investment in the Disposal Group over an investment horizon since November 2010, calculated as follows:

$$\frac{(\text{HK\$58.65 million} + \text{HK\$6.24 million}) - (\text{HK\$34.5 million} + \text{HK\$6.24 million})}{(\text{HK\$34.5 million} + \text{HK\$6.24 million})} \times 100\% = 59.28\%$$

The average annual ROI of the Disposal over the Investment Period would be approximately 17.78%, calculated as follows:

$$\frac{(\text{HK\$58.65 million} + \text{HK\$6.24 million}) - (\text{HK\$34.5 million} + \text{HK\$6.24 million})}{(\text{HK\$34.5 million} + \text{HK\$6.24 million})} \times 100\% / \frac{40}{12} = 17.78\%$$

In assessing the fairness and reasonableness of the Option Exercise Price, we conducted a ROI analysis by comparing the average annual ROIs of the Disposal as calculated above with the two year-average return on share price from 2011 to 2012 of companies that are selected based on the following criteria: (i) of companies listed on the Stock Exchange; (ii) generating from the businesses of entertainment programme production, events organization, TV-series and film production and/or provision of artist training for the entertainment industry (which is similar to the principal businesses of the Disposal Group) of over 50% of the total revenue for the latest financial year; and (iii) having more than half of the revenue generated in the PRC, Hong Kong and/or Macau. We have, to our best effort, identified and made references to, so far as we are aware, two companies that meet the aforesaid criteria which is an exhaustive list (the "Comparables"). We consider that, while the Comparables are listed companies with different financial performance and position, the analysis on the Comparables could provide a reference to return on

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investment in companies engaging in businesses similar to that of the Disposal Group, and accordingly, the list of Comparables is a fair sample for our analysis. The ROI analysis on the Comparables, notwithstanding that the Option Exercise Price was fixed at the time of entering into the Agreement, aims to provide a perspective for our analysis as to, what the return to the Group would have been if the total capital invested to the Disposal Group was invested in equities of companies listed on the Stock Exchange engaging in businesses similar to that of the Disposal Group. Return on share price of other companies listed on the Stock Exchange was not considered appropriate for our analysis as the Group invested in the Disposal Group with an aim to penetrate into the entertainment industry with Disposal Group's business model and capitalise from the potential thereof, instead of an equity investment with no industry and business focus. Details of our analyses are set out in the following table:

Table 4: ROI analysis on Comparables

Company name (stock code)	Principal activities	Return on share price*		
		2011 %	2012 %	2-year average %
Qin Jia Yuan Media Services Company Limited (2366)	TV programme related business (contributed for approximately 53% of revenue), TV advertising, outdoor advertising and public relations service income	(65.38)	47.22	(9.08)
See Corporation Limited (491)	Film and TV programme production (contributed for approximately 69% of revenue), event production, artiste and model management, music production and investment in securities	(75.50)	(67.31)	(71.40)
Minimum				(71.40)
Maximum				(9.08)

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Company name (stock code)	Principal activities	Return on share price*		
				2-year average
		2011	2012	%
		%	%	%
Mean				(40.24)
The Disposal				17.78

Source: Bloomberg (www.bloomberg.com)

* Calculated as to dividing the amount of increase/decrease between the closing share price of the first trading day and the last trading day of the year by the closing share price of the first trading day of the year

As set out in the table above, the two year-average return on share price of the two Comparables are approximately (9.08)% and approximately (71.40)% with a mean of approximately (40.24)%. Having considered that the average annual ROI represented by the Option Exercise Price over the investment amount, both with or without taking into account the Shareholder's Loan, is above the mean of that of the Comparables, we are of the view that the Option Exercise Price is fair and reasonable.

Having considered that the Disposal Group's loss making position and the financial position of net liabilities, and there is no sign of turnaround given the uncertainty of the granting of the official school license to the Talent Academy as well as the negative prospect of profitability of the Talent Academy, we are of the view that the Disposal at the Option Exercise Price, which allows the Group to dispose of the Disposal Group at its current status whilst achieve an average annual ROI of 17.78% over the Group's investment in Fountain City (including the Shareholder's Loan) over the Investment Period and is above the mean of that of the Comparables as analysed above, under the stipulated payment term with sufficient provisions safeguarding settlement of the consideration before Completion, is favourable to the Group, and that the Disposal is on normal commercial terms and is fair and reasonable to the Independent Shareholders.

FINANCIAL EFFECTS OF THE DISPOSAL

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

(i) Net Assets

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, the unaudited pro forma net liabilities of the Remaining Group would be improved from approximately HK\$29.07 million as at 31 December 2012 to an unaudited net liabilities of approximately HK\$4.21 million, as if the Disposal had been completed on 31 December 2012.

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(ii) Liquidity

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, the pro forma cash and bank balances of the Remaining Group would be improved from approximately HK\$4.49 million as at 31 December 2012 to approximately HK\$68.39 million, as if the Disposal and the repayment of the Shareholder's Loan had been completed on 31 December 2012.

(iii) Earnings

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, the unaudited pro forma loss after tax of the Remaining Group would be narrowed from approximately HK\$56.25 million for the year ended 31 December 2012 to approximately HK\$32.04 million, as if the Disposal had been completed on 1 January 2012.

(iv) Working capital

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, the net current liabilities of the Remaining Group would be improved from approximately HK\$22.52 million as at 31 December 2012 to net current assets of approximately HK\$2.33 million, as if the Disposal and the repayment of the Shareholder's Loan had taken place on 31 December 2012.

Having considered the Disposal would improve the position of net current liabilities and net liabilities as well as the loss making position of the Remaining Group, we are of the view that the Disposal is in the interest of the Company and the Independent Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons for the Disposal, we are of the view that while the Disposal is not in the ordinary and usual course of business of the Company, the terms of the Disposal are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

(1) THREE YEARS FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2010, year ended 31 December 2011 and year ended 31 December 2012 are disclosed on pages 30-112 of the 2010 annual report published on 30 March 2011, pages 36-124 of the 2011 annual report published on 2 April 2012 and pages 46-176 of the 2012 annual report published on 27 March 2013 of the Company respectively, which were published on both the GEM website (www.hkgem.com) and the Company's website (www.lottotainment.com.hk).

(2) STATEMENT OF INDEBTEDNESS**Remaining Group***Borrowing*

At the close of business on 30 June 2013, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Remaining Group had total borrowings amounted to HK\$58,345,577 comprising, (i) the New Loan Facility of approximately HK\$32,000,000 were secured by debenture of the Company to HEC Finance 92 Limited (the "Lender") dated 27 May 2013 under which the Company shall create a floating charge over all the undertaking, property, assets, goodwill, rights and revenues of the Company in favour of the Lender or its designated person; (ii) obligation under finance lease of approximately HK\$143,073 were secured by motor vehicles and equipment; and (iii) liability component of the convertible note of approximately HK\$26,202,504, which were unsecured, transferable and with an interest rate of 2% per annum.

Commitments and contingent liabilities

As at 30 June 2013, the Remaining Group did not have any significant commitments and contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 June 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Remaining Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Remaining Group since 30 June 2013 and up to the Latest Practicable Date.

Disposal Group*Borrowing*

At the close of business on 30 June 2013, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Disposal Group had total borrowings amounted to HK\$273,000 under finance lease of with interest rate 5.25% annum was secured by office equipments.

Commitments and contingent liabilities

As at 30 June 2013, the Disposal Group did not have any significant commitments and contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 June 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Disposal Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Disposal Group since 30 June 2013 and up to the Latest Practicable Date.

(3) WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account its internal resources (including the remaining balance of HK\$22.2 million receivable from the proceeds of HK\$49.2 million from the exercise of put option by the Company to sell back its interests in Dragon Gain Worldwide Limited to the original vendors and the refundable deposit of HK\$2 million to be received by the Company in relation to the lapse of the Acquisition), the proceeds from the Disposal and the presently available credit facilities of the Group, the Group will not have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular. This is principally due to the fact that (i) the Company expects to incur certain amounts of cash outflow before it can receive the put option price from sell back Dragon Gain Worldwide Limited to the original vendors and the proceeds from the Disposal; and (ii) the uncertainty on the proposed extension of the maturity date of the New Loan Facility. The Company has to repay the total drawdown amount of the New Loan Facility on or before the maturity date on 26 August 2013 (as at the Latest Practicable Date, the outstanding amount of the New Loan Facility is HK\$32 million) which is before the expected date of receiving the proceed of HK\$58.65 million from the Disposal on or before February 2014, being the expected date of Completion. In this regard, the Company is negotiating with the Lender for the extension of the maturity date of the New Loan Facility for 180 days. As at the Latest Practicable Date, no concrete terms or conclusion has been made in relation to the proposed extension

of the maturity date of the New Loan Facility. The Company will make further announcement to update the Shareholders on the progress of the proposed extension of the maturity date of the New Loan Facility. The cash and cash equivalents of the Group as at 30 June 2013 was approximately HK\$3.2 million.

In addition, as disclosed in the announcement of the Company dated 18 July 2013, the Company and China Well Investments Reward Inc. and United Path Inc. entered into the memorandum of understanding in relation to the proposed acquisition of the entire issued share capital in Grace Profit Corporation Limited (“Grace Profit”) by the Company. Subject to the satisfaction of the due diligence result on Grace Profit, the Company will consider further negotiation with the prospective vendors and may have funding needs in relation to the consideration of the Proposed Acquisition, if materialised. As at the Latest Practicable Date, there is no estimated amount of consideration relating to the Proposed Acquisition and no concrete terms has been finalised for the Proposed Acquisition.

In view of the foregoing, the Company is actively exploring equity fund raising alternatives to fulfill the future working capital requirement for (i) the repayment of the New Loan Facility in case the Lender refuses to extend the maturity date of the New Loan Facility for 180 days and/or (ii) if the New Loan Facility can be extended for 180 days, the funding needs relating to the consideration of the Proposed Acquisition, if materialised, or other possible acquisition. As at the Latest Practicable Date, there is no discussion, negotiation or arrangements in respect of the details of aforesaid fund raising measures, including nature, size and timetable and no contracts or agreements or concrete terms has been entered into in respect of any fund raising measures and the Proposed Acquisition.

The Directors are aware that the Group’s liquidity position would depend largely on the successful conclusion of the proposed extension of the New Loan Facility and future equity fund raising activities. Failure to obtain future financing may adversely affect the working capital position of the Group. Subject to the successful conclusion of the proposed extension of the New Loan Facility and the aforesaid future equity fund raising activities, the Directors believe that the working capital available to the Group is sufficient for the Group’s requirements for at least 12 months from the date of this circular.

(4) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, taking into account the Company’s first quarterly results for the three months ended 31 March 2013 announced on 10 May 2013, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group was made up.

(5) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is a discussion and analysis of the Remaining Group's results of operation for each of the three years ended 31 December 2012.

(a) Management discussion and analysis for the year ended 31 December 2012*Business Review*

Stage drama business (disposed during the year)

In view of the unsatisfactory sales performance, failure to secure sponsorship and unexpected increase of operating cost, despite the Group's effort in tightening the cost control, stage drama business has failed to bring in economic benefits to the Group and has caused adverse financial result to the Group. As a result of unsatisfactory result of the stage drama business, on 28 December 2012, the Group has exercised the put option to sell back its interests in Dragon Gain Worldwide Limited to the original vendors and discontinued stage drama operation.

Travel agency business

Travel agency business operates with stable and internally generated cash flow and ranks first in revenue contribution to the Group. Business environment of the PRC travel industry remains competitive and the Group has to face a difficult environment, in particular, continuous growth in the operating costs due to inflation. However, given that annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for PRC citizen, the Directors are optimistic in the business growth of its travel agency operation.

Advertising and marketing services

Advertising and marketing business generates stable cash flow which ranks second in revenue contribution to the Group and becomes one of the core businesses of the Group. Following disposal of underperforming entertainment and stage drama businesses, the Group will focus and reallocate its resources for pursuing business development in advertising and marketing business, including reposition of its service mix and widening its scope of services to capture potential business opportunities in function organization for enhancing its performance with its internally generated cash flow.

Securities trading business

Due to the economic downturn in the United States and triggered by the unresolved European debt issue, the condition of Hong Kong stock market is relatively volatile. The Group will keep focusing and balancing the risk and return from its investment and will closely monitor the performance of its

investment portfolio. Furthermore, the Group will take corrective action to change its investment portfolio to minimize the risk and maximize the return when appropriate.

Financial Position

Liquidity and Financial Resources

As at 31 December 2012, the total assets of the Group was approximately HK\$158 million (2011: HK\$230 million), including cash and bank balances and restricted bank deposits of approximately HK\$6 million (2011: HK\$39 million). As at 31 December, 2012, the Group had an outstanding bank and other borrowings of HK\$150,537,000 including interest-bearing loan of HK\$122,600,000 and convertible notes of HK\$27,937,000. In terms of maturity, 100% of the outstanding bank and other borrowings will be repaid within one year. In terms of currency denomination, 100% of the outstanding bank and other borrowings are denominated in Hong Kong dollars. Among the interest-bearing loan, 100% of the bank and other borrowings of the Group are subject to fixed interest rates and the convertible notes is non-interest bearing. The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (2011: nil).

Charges on Group's Assets

As at 31 December 2012, the Company has charged its all the undertaking property, assets, goodwill, rights and revenues to the lender by way of fund floating charge to secure a unguaranteed loan facility.

Capital Structure

During the year, the Company issued 196,941,341 shares by way of Rights Issue on the basis of one rights share for every two existing shares held at the subscription price of HK\$0.05 per rights share.

The Company has carried out a share consolidation during the year, of every ten shares of HK\$0.05 each in the issued and unissued share capital of the Company were consolidated into one consolidation share of HK\$0.50 each in the issued and unissued share capital of the Company.

In addition, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 6,564,711 placing shares to not less than 6 independent places at a price of HK\$0.5 per placing share. The aggregate nominal value of the placing shares under the placing agreement will be approximately HK\$3,282,355, therefore, the number of issued share of the Company was 65,647,113 as at 31 December 2012.

Capital Commitments

As at 31 December 2012, the Group has total future minimum lease payments under non-cancellable operation leases of approximately HK\$19,099,000 which can be classified as approximately (i) HK\$3,181,000 payable within 1 year; (ii) HK\$13,024,000 payable after 1 year but within 5 years and (iii) HK\$2,894,000 payable after 5 years.

Acquisition of Creative Star Limited

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited (“Creative Star”). The total consideration paid for the acquisition of Creative Star was HK\$20,000,000. The acquisition, which constituted as a major transaction under the GEM Listing Rules, was completed on 28 February 2012. Creative Star become a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited (“Hong Kong Marketing”). Hong Kong Marketing is incorporated in Hong Kong with limited liability and engaged in product advertising and promotion, marketing agency and planning, function organization and media project services.

Details of the transaction were disclosed in the Company’s announcements dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

Acquisition of Mass Apex Limited

As disclosed in the Company announcement dated 26 November 2012, the Company, through its wholly owned subsidiary, Fame Network Limited to acquire the entire issued share capital of Mass Apex Limited which principally engaged in the trading of raw food material business in Hong Kong at a consideration of HK\$68,000,000.

The acquisition constitutes a very substantial acquisition pursuant to the terms and conditions set out in the conditional sale and purchase agreement and is subject to shareholder’s approval at an extraordinary general meeting.

Disposal of 100% Shareholding Interest in Circle One International Limited

On 31 August 2012, an independent third party, agreed to purchase and the Company agreed to sell the 1 ordinary shares of US\$1.00 par value each in the issued share capital of Circle One International Limited (the “Disposal Company”).

The Disposed Company was a 100% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of internet spot gaming. The completion of the Disposal took place on 31 August 2012.

Disposal of 100% Shareholding Interest in Dragon Gain Worldwide Limited

On 28 December 2012, the Company and the Vendors, have agreed on the early exercise by the Company of the Put Option of Dragon Gain Worldwide Limited (“the Disposed Company”) to put back the Sale Shares to the Vendors’ nominee at the Put Option Price of HK\$49,200,000 as the Vendors had acknowledged that it was their assessment that Consolidated Net Profit would not be able to meet with the Profit Guarantee.

The Disposed Company was a 100% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is engaged in operation of stage drama.

Details of the transaction were published in the Company’s announcements dated 26 June 2012, 12 December 2012 and 28 December 2012 respectively.

Segment Information

During the year ended 31 December 2012, although the turnover was HK\$23,194,100 (2011: HK\$24,176,000 after re-statement) representing a lightly decrease of 4% as compared to last year, the loss for the year was HK\$56,253,000 (2011: HK\$111,810,000), which representing a significant decrease in loss by 50% from last year. The improvement of financial results is mainly due to the recovery of investment deposit of HK\$41 million in 2012 which was impaired in last year.

Travel agency business

During the year ended 31 December 2012, the turnover of this segment slipped to HK\$17,017,000 in 2012 from HK\$24,176,000 in 2011 which representing a decrease of 30% in this segment. The decrease is due to the keen price competition within rivals in PRC. Although there was a decrease in turnover, this segment recorded a consolidated profit of HK\$611,000 (2011 loss: HK\$643,000). The improvement was mainly due to the restructure and cancellation of low margin routes.

Advertising and marketing services

The segment was acquired during the year and recorded a turnover of HK\$6,177,000 together with a consolidated profit of HK\$1,642,000.

The Company considers that advertising and marketing business can provide a synergy effect to the Group's existing businesses which includes provision of cross-selling, marketing platform and resources for brand building. Given the stable source of revenue from this segment and profit contribution to the Group, the Directors expect that this will not only increase the income stream and bring additional stable earnings to the Group; but also increase the return on equity which in long run and benefit to the Group and Shareholders.

Securities trading business

This segment was newly introduced during the year and recorded a net loss of HK\$542,000. The loss was due to the effect of worldwide financial crisis and the fluctuation of market performance. The group will keep focusing and balancing the risk and return from its investment, closely monitor the performance of its investment portfolio and take corrective action to change its investment portfolio to minimize the risk and maximize the return when appropriate.

Stage drama business (disposed during the year)

During the year ended 31 December 2012, the turnover of this segment was HK\$397,000 (2011: HK\$125,000) and recorded a consolidated loss before taxation of HK\$19,200,000 in 2012 (2011: HK\$72,782,000). The under-performing is due to failure to secure sponsorship and unexpected increase of operating cost.

Entertainment business

During the year ended 31 December 2012, the turnover of this segment significantly slipped to HK\$277,000 in 2012 from HK\$1,179,000 in 2011 which representing a decrease of 77% in this segment. This segment recorded a consolidated loss of HK\$10,206,000 (2011 loss: HK\$12,434,000). The financial crisis led to decrease in consumption for entertainment and this exogenous effect led to the deterioration of entertainment industry.

Details of Future Plans for Material Investment Or Capital Assets

As at 31 December 2012, the Directors do not have any future plans for material investment or capital assets.

Foreign Currency Risk

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent Liabilities

As at 31 December 2012, the Directors are not aware of any material contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2012, the Group had 62 (2011: 64) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2012 amounted to approximately HK\$11 million (2011: HK\$14 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the remuneration committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the remuneration committee may recommend. Such amount has to be approved by the Board.

(b) Management discussion and analysis for the year ended 31 December 2011*Financial Highlights*

Turnover of the Group for 2011 was approximately HK\$25 million which was increased by 3.4% as compared to approximately HK\$24 million in last year. Compared to a loss for the year of HK\$172 million in 2010, a loss for the year of HK\$110 million was recorded. Loss per share was approximately 24.89 HK cents, compared to a loss of 14.72 HK cents per share in 2010. The Board does not recommend any dividend payment for 2011.

Business Review

Stage drama business

With the huge potential market in the stage drama business in the PRC and other Asian regions, the Company acquired 100% equity interest of Dragon Gain Worldwide Limited ("Dragon Gain"), which in turn owns 51% of Creative Works Limited ("Creative Works"). Creative Works is engaged in organization, production and management of stage drama "Born to be Hero" (天龍八部) during the year. The first show was officially launched in Beijing on 15 December 2011 and response was very positive. Since the operation costs in the stage drama business unexpectedly increased by the launch of the drama, the net loss including operating loss, amortization and impairment of

intangible assets of this segment reached approximately HK\$52 million. The Company is committed to strengthen the cost control policy in this operation. The stage drama will commence to tour-perform in the PRC in 2012.

Travel agency business

The travel industry is still very competitive in the PRC during the year under review. The Group has to face a difficult environment particularly the inflation and the continuous growth in the operating costs. As the annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for PRC citizens, we are optimistic in the business growth of our travel agency operation.

Mobile lottery online (“MLO”) recharge business (disposed of during the year)

Despite the Group’s efforts to improve the performance of the MLO recharge business, the MLO recharge business has been in significant loss position over the past two years. The MLO business which is highly regulated in the PRC faces great difficulties in financial budgeting and estimation. Besides, the regulatory policies in relation to lottery-based online game are unexpectedly stringent to the extent that few number of online games have been approved which resulted in a low level of revenue being able to be generated from the recharge service. In considering the exposure of excessive risk and the uncertain prospect of the MLO recharge business operation, the whole business was disposed of by the Group during the year under review.

Financial Position

Liquidity and Financial Resources

As at 31 December 2011, the total assets of the Group was approximately HK\$230 million (2010: HK\$69 million), including cash and bank balances and restricted bank deposits of approximately HK\$39 million (2010: HK\$6 million). As at 31 December, 2011, the Group had an outstanding bank and other borrowings of HK\$166,400,000 including convertible notes of HK\$74,505,000 and promissory notes of HK\$91,895,000. In terms of maturity, 30% of the outstanding bank and other borrowings will be repaid within one year and the remaining of 70% will be repaid after one year and within 5 years. In terms of currency denomination, 100% of the outstanding bank and other borrowings are denominated in Hong Kong dollars. 30% of the outstanding bank and other borrowings are subject to fixed interested rates and the remaining 70% are non-interest bearing. The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (2010: nil).

Charges on Group’s Assets

As at 31 December 2011, the Group has not pledged any of its assets (2010: nil) to secure banking facilities to the Group.

Capital Structure

During the year, there were a total of HK\$31,920,000 convertible bonds converted into 114,000,000 ordinary shares; 409,000,000 shares were issued under placing agreements and 321,753,606 consideration shares were issued. All these shares were issued before the completion of the share consolidation.

In addition, the Company has carried out a share consolidation during the year, of every five shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidation share of HK\$0.05 each in the issued and unissued share capital of the Company, therefore, the number of issued share of the Company was 328,235,569 as at 31 December 2011.

Capital Commitments

As at 31 December 2011, the Group has total future minimum lease payments under non-cancellable operating leases of approximately HK\$1,528,000 which can be classified as approximately (i) HK\$954,000 payable within 1 year; (ii) HK\$574,000 payable after 1 year but within 5 years.

Acquisition of Dragon Gain Worldwide Limited

On 18 April 2011, the acquisition of 100% equity interest of Dragon Gain Worldwide Limited (“Dragon Gain”) was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Dragon Gain was HK\$41,000,000, of which HK\$2,500,000 was paid by the Company in cash and HK\$38,500,000 had been satisfied by the allotment and issue of 145,283,018 new shares of the Company. Dragon Gain owns 51% equity interest in Creative Works Limited 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.

Details of the transaction were disclosed in the Company’s announcements dated 10 January 2011, 16 February 2011, 22 February 2011, 12 April 2011, 18 April 2011 and 16 December 2011 respectively and the Company’s circular dated 24 March 2011.

Acquisition of Solution Gold Limited

On 1 June 2011, the acquisition of 100% equity interest of Solution Gold Limited (“Solution Gold”) was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Solution Gold was HK\$30,000,000, which was satisfied by the allotment and issue of 176,470,588 new shares of the Company. Solution Gold owns 30% of the issued share capital of Star Most Limited, which in turn owns 65% interest in Stars

Excel Limited and 87.5% interest in Fiorucci Limited (the “Star Most Group”). The principal business of the Star Most Group is wholesale, retail distribution and franchising of fashion products, including fashion products under the brand name “Fiorucci”.

The Star Most Group has been granted an exclusive right for the use of the Italian fashion label brand “Fiorucci” on or in relation to the marketing and distribution of ladies’ wear in Hong Kong, Macau and the PRC. In view of the general state of the retail sector, the number and consumption of visitors in Hong Kong, together with the rapid economic growth and the increasing of brand-conscious consumers in the PRC, the Group’s platform in the media and entertainment industry may be utilised to promote the products of the Star Most Group. By utilising our media and entertainment channels in the promotion and marketing of the products of the Star Most Group, we consider that such arrangements would create a synergy effect and benefit to both the business of the Star Most Group and the media and entertainment business of the Group.

Due to the high competitive business environment and sluggish fashion retail segment, the Company made an impairment loss in interests in associates of approximately HK\$15 million for this segment for the year 2011.

Details of the acquisition were disclosed in the Company’s announcements dated 25 May 2011 and 1 June 2011 respectively.

Acquisition of 25% Issued Share Capital Of Galaxy Mount International Limited

On 27 April 2011, the Company and a prospective seller entered into a sale and purchase agreement for a potential investment in a paid digital television channel in the PRC. 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 constituted 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 “Termination Agreement”). 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 deposit of HK\$46,000,000, unsecured and without interest (“Deposit”), in cash to the Company.

On 12 August 2011, the Company and the prospective seller entered into an addendum to the Termination Agreement, pursuant to which the parties thereto confirmed that the Deposit (which bear no interests) shall be returned to the Company in full on or before 10 October 2011 and otherwise without prejudice to other legal rights that the Company may have, the parties shall further negotiate and, subject to mutual agreement, enter into a separate agreement to sort out the deferred repayment arrangement.

By 30 November 2011, the Company announced that two cheques from the prospective seller of an aggregate amount of HK\$4,000,000 were received as the partial repayment for the Deposit. The Company strives for the repayment of the remaining HK\$42,000,000 of the Deposit from the prospective seller. Up to the date of this report, the Deposit of HK\$41,000,000 remains outstanding and the Company has already take legal action against the prospective seller for the repayment of the Deposit. Due to the prolonged discussion in arriving at a repayment schedule, failure to obtain asset as security, default in honouring the instalment payment and uncertainty in the recoverability of the deposit, the Company has made an impairment on the deposit of approximately HK\$41,000,000.

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, 5 August 2011, 12 August 2011 and 30 November 2011 respectively.

Acquisition of Creative Star Limited

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited (“Creative Star”). The total consideration paid for the acquisition of Creative Star was HK\$20,000,000. The acquisition, which constituted as a major transaction under the GEM Listing Rules, was completed on 28 February 2012. Creative Star become a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited (“Hong Kong Marketing”). Hong Kong Marketing is incorporated in Hong Kong with limited liability and engaged in product advertising and promotion, marketing agency and planning, function organization and media project services.

Details of the transaction were disclosed in the Company’s announcements dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

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 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 respectively.

Segment Information

During the year ended 31 December 2011, the turnover was HK\$25,480,000 (2010: HK\$24,733,000 after re-statement), which representing a slightly increase of 3% as compared to last year. The loss for the year was HK\$111,810,000 (2010: HK\$175,147,000), which representing a significant decrease in loss of 36% from last year. The decrease in loss is mainly due to absence of loss from discontinued operations in 2011.

Travel agency business

During the year ended 31 December 2011, the turnover of this segment slightly decreased to HK\$24,176,000 in 2011 from HK\$24,519,000 in 2010. However, this segment recorded a consolidated loss before taxation of HK\$643,000 in 2011 (2010 profit: HK\$317,000) due to keen price competition within rivals in PRC and the increase in price of fuel in the market. The increase in price of fuel in market led to the increase in airfreight cost which jeopardized the margin in overseas routes and increased the operation cost in local transport routes.

Entertainment business

Due to the late introduction of Fountain City Group to the Group in late 2010 and the late commencement of business of M&M Entertainment International Company Limited & Santos Group Entertainment and Advertising Limited, both are subsidiaries of Fountain City, in late 2010 led to less contribution in turnover of HK\$214,000 in 2010 to the Group. As there was full operation of M&M Entertainment International Company Limited and

Santos Group Entertainment and Advertising Limited in 2011, during the year ended 31 December 2011, the turnover of this segment significantly increased to HK\$1,179,000 in 2011 from HK\$214,000 in 2010. However, this segment recorded a consolidated loss before taxation of HK\$12,434,000 in 2011 (2010: HK\$2,815,000) and the increase in loss was mainly due to increase in operating costs incurred by M&M Entertainment International Company Limited and Santos Group Entertainment and Advertising Limited. The under-performing of this segment is due to the slow pace development and the non-commencement of Macau Talent academy.

Stage drama business

During the year, the Group further stepped in the stage drama business and for the year ended 31 December 2011, the turnover of this segment was HK\$125,000 and recorded a reportable segment loss of HK\$72,782,000. The operation costs in the stage drama business unexpectedly increased by the launch of the drama led to the under-performance of this segment. The Company is committed to strengthen the cost control policy in this segment.

Mobile lottery online recharge business (disposed during the year)

During the year ended 31 December 2011, the turnover of this segment decreased to HK\$152,000 (2009: HK\$914,000) and recorded a reportable segment profit of HK\$15,615,000 for the year (2009: loss of HK\$208,510,000).

The decrease in turnover was due to this segment was disposed during the year. The disposal halted the expenses contributing to this segment, together with the gain from the disposal of this segment, led to the reportable segment profit for the year. The mobile lottery online recharge business which is highly regulated in the PRC faces great difficulties in financial budgeting and estimation. Besides, the regulatory policies in relation to lottery-based online game are unexpectedly stringent to the extent that few number of online games have been approved which resulted in a low level of revenue being able to be generated from the recharge service. In considering the exposure of excessive risk and the uncertain prospect of the mobile lottery online recharge business operation, the whole business was disposed of by the Group during the year under review.

Details of Future Plans for Material Investment Or Capital Assets

As at 31 December 2011, the Directors do not have any future plans for material investment or capital assets.

Foreign Currency Risk

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent Liabilities

As at 31 December 2011, the Directors are not aware of any material contingent liabilities.

Employees And Remuneration Policy

As at 31 December 2011, the Group had 32 (2010: 84) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2011 amounted to approximately HK\$8 million (2010: HK\$12 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The emoluments of the Directors are recommended by the remuneration committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the remuneration committee may recommend. Such amount has to be approved by the Board.

(c) Management discussion and analysis of the year ended 31 December 2010*Financial Highlights*

Turnover of the Group for 2010 was approximately HK\$26 million which was increased by 16% as compared to approximately HK\$22 million in last year. Compared to a loss for the year of HK\$636 million in 2009, a loss for the year of HK\$172 million was recorded. Loss per share was approximately 25.004 HK cents, compared to a loss of 127.778 HK cents per share in 2009. The Board does not recommend any dividend payment for 2010.

Business Review

Mobile lottery online ("MLO") recharge business

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 (the "TMP platform").

According to the latest statistics issued by the Ministry of Finance of China, the lottery sale in 2010 reached RMB166.2 billion, increased by about 25.5% comparing with 2009 corresponding period. We are optimistic but conservative to the MLO business as remote distribution channel will be the future development of lottery sales in the PRC. Due to the delay in launching

certain new mobile lottery online games by the China Sports Lottery Administrative Centre, we have worked closely with the China Sports Lottery Administrative Centre in rescheduling the commencement of our operations in other five provinces of which exclusive service agreements have been entered into. In considering the prospect of China Lottery market, we are optimistic but conservative in the mobile lottery online business as the China Sports Lottery Administrative Centre has not yet fixed the roll-out schedule of MLO in other provinces.

Travel agency operation

The travel industry is still very competitive in the PRC during the year under review. The Group has to face a difficult environment particularly the inflation and the continuous growth in the operating costs. As the annual disposal income per capita is expected to grow in the PRC, we are optimistic in the development of the travel industry.

Sports lottery outlets segment

Benefited by the advancement of telecommunications and live-broadcasting technology, the PRC citizens can now easily enjoy high quality sports matches and events, no matter at home or outdoor, through TV or remote channel like mobile handset or internet. Nowadays, more and more citizens enjoy to subscribe to the sports betting lottery which can be demonstrated by the latest sale figure issued by the Ministry of Finance of China for the year 2010. According to the statistics, issued, the sports betting lottery sale figure for year 2010 reached RMB14.7 billion, representing an increase of 123.4% when comparing with the sale in 2009. We expect the sale of our sports betting outlets will continue to grow and make contribution to the Group.

Sports oriented prediction game website and lottery related VAS website in the PRC

On 31 May 2010, Shenzhen Caile Technology Limited (“SZ Caile”), a subsidiary of the Group, entered into a cooperation 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 co-operation agreement can step into the online gaming market and further broaden the income base of the Group.

On 1 June 2010, SZ Caile 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 broaden the income base of the Group.

During the year under review, both co-operation are still in website development stage.

Financial Position

Liquidity and Financial Resources

As at 31 December 2010, the total assets of the Group was approximately HK\$65 million (2009: HK\$363 million), including cash and bank balances and restricted bank deposits of approximately HK\$3.5 million (2009: HK\$13 million). Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2010 was HK\$nil (2009: approximately HK\$39 million) of which HK\$nil (2009: HK\$11 million) are due within one year. The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil% (2009: 615%).

Significant Impairment Loss on Intangible Assets

Due to the unexpected delay in launch out of mobile lottery on-line by the China Sports Lottery Administration Centres in other provinces, and the undesirable operating performance of the mobile lottery on-line recharging segment, the Board carried out an assessment of the recoverable amount of intangible assets as at the end of 2010. Based on this assessment, the carrying amount of these intangible assets were impaired by approximately HK\$142 million (2009: HK\$483 million). The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by an independent valuer.

Charges on Group's Assets

At 31 December 2010, the Company has not pledged any assets (2009: HK\$10 million) to secure banking facilities to the Company.

Capital Structure

During the year, there were a total of HK\$2,310,000 convertible bonds converted into 3,500,000 ordinary shares; a total of 20,500,000 shares were issued under the exercise of share options; 66,000,000 shares were issued under placing agreement dated 8 September 2010 and 54,166,667 consideration shares were issued.

Capital Commitments

As at 31 December 2010, the Group has the following capital commitment: (i) capital commitment of approximately HK\$484,000 which were contracted but not provided for; and (ii) the total future minimum lease payments under non-cancellable operating leases of approximately HK\$4,983,000. The total minimum lease payments under non-cancellable operating leases can be classified as approximately (i) HK\$3,508,000 payable within 1 year; (ii) HK\$1,475,000 payable after 1 year but within 5 years.

Segment Information

During the year ended 31 December 2010, the turnover was HK\$25,674,000 (2009: HK\$22,113,000), which representing an increase of 16% as compared to last year. The loss for the year was HK\$175,147,000 (2009: HK\$636,118,000), which representing a significant decrease in loss by 263% from last year. The decrease in loss is mainly due to the decrease in impairment loss on intangible assets to HK\$142,292,000 in 2010 from HK\$483,375,000 in 2009 and the absence of impairment loss on goodwill in 2010.

Travel agency business

During the year ended 31 December 2010, the turnover of this segment increased to HK\$24,519,000 (2009: HK\$19,302,000) and recorded a reportable segment profit of HK\$512,000 for the year (2009: HK\$390,000).

This was due to the restructuring of this segment and launching more overseas routes with comparatively higher price than local routes in view of the keen competition in local transport routes and more overseas locations freely open for PRC citizens.

Mobile lottery online recharge business

During the year ended 31 December 2010, the turnover of this segment decreased to HK\$914,000 (2009: HK\$2,811,000) and recorded a reportable segment loss of HK\$193,106,000 for the year (2009: HK\$208,510,000).

The reportable segment loss for this segment is due to the business continues encountering high market competitiveness and facing governmental policy risk and industrial regulatory risk. Following the introduction of nationwide "Regulation on Administration of Lottery" in 2009, the lottery industry in the PRC is under a stage of reform in 2010, of which Sports Lottery Administration Centre has been re-specified certain aspects of lottery operation such as sales channels, prize and pay-out management, lottery ticket issue, fund management, etc. as well as rescheduled certain lottery type and lottery project. This regulatory factor led to the business uncertainty in this segment.

Entertainment business

During the year, the Group further stepped in the entertainment business in the PRC, Hong Kong and Macau and for the year ended 31 December 2010, the turnover of this segment was HK\$214,000 and recorded a reportable segment loss of HK\$2,815,000.

The reportable segment loss is due to the artist training business in Macau has not yet commenced operation during the year as the official license for Macau Talent academy is still yet to be granted.

Details of Future Plans for Material Investment Or Capital Assets

As at 31 December 2010, the Directors do not have any future plans for material investment or capital assets.

Foreign Currency Risk

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent Liabilities

As at 31 December 2010, the Directors are not aware of any material contingent liabilities.

Employees And Remuneration Policy

As at 31 December 2010, the Group had 84 (2009: 117) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2010 amounted to approximately HK\$12 million (2009: HK\$50 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The emoluments of the Directors are recommended by the remuneration committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the remuneration committee may recommend. Such amount has to be approved by the Board.

(6) FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**Travel agent business**

Travel agency business operates with stable and internally generated cash flow and ranks first in revenue contribution to the Group. Business environment of the PRC travel industry remains competitive and the Group has to face a difficult environment, in particular, continuous growth in the operating costs due to inflation. However, given that annual disposal income per capita continues to grow in the PRC and more and more overseas locations are freely open for PRC citizens, the travel agency business has arranged more tours in overseas locations especially Europe, Taiwan and Japan to generate higher tour income than domestic one. In addition, in view of continuously increasing purchase power of PRC citizens, the demand of privilege service and arrangement for tour is robust. The traveling agency business will re-design and re-structure its tour package to capture this segment market. The Directors are from time to time to review the performance of

each tours and will stream down and/or suspense tour(s) with poor performance or less profitable to concentrate its resource to expand the segment market as mentioned. Given operating with stable and internally generated cash flow, the funding and cash flow requirement is comparatively lower, the Directors are optimistic in the business growth of its travel agency operation. As at the Latest Practicable Date, the Company does not have any plan to allocate further resources on this segment.

Advertising and marketing business

Advertising and marketing business generates stable cash flow which ranks second in revenue contribution to the Group and becomes one of the core businesses of the Group. Following disposal of underperforming entertainment and stage drama businesses, the Group will focus and reallocate its resources for pursuing business development in advertising and marketing business, including reposition of its service mix and widening its scope of services to capture potential business opportunities in function organization for enhancing its performance with its internally generated cash flow. In view of continuous prosperity of domestic music concert performance, this segment started penetrating in the business of concert production and coordination. This segment has successfully secured contracts for production and coordination of three music concerts and one talk show. In addition, this segment plans to have five to eight more engagement of this. In view of the popularity of smart phone devices, the Board intends to produce game or game platform to generate 1) downloading sharing income 2) advertising income through game/game platform and 3) sponsorship or advertising income from advertisers. The Directors are of the view that there is a strong potential growth of this segment. As at the Latest Practicable Date, the Company does not have any plan to allocate further resource on this segment.

Securities trading business

Due to the economic downturn in the United States and triggered by the unresolved European debt issue, the condition of Hong Kong stock market is relatively volatile. The Group will keep focusing and balancing the risk and return from its investment and will closely monitor the performance of its investment portfolio. Furthermore, the Group will put more effort in the analysis of the stock market to ensure the Group can take corrective action to change its investment portfolio to minimize the risk and maximize the return when appropriate. As at the Latest Practicable Date, the Company does not have any plan to allocate further resource on this segment.

In coming year, after Completion, the Remaining Group will continue to develop and rationalize its existing businesses and will allocate appropriate resources to different business segments of the Group depending on the then business environment and performance of each segment with the view of improving its business performance. The Directors also consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income for generating profits and return for the Company and the Shareholders.

On 18 July 2013 (after trading hours), the Company and China Well Investments Reward Inc. and United Path Inc. (the “Prospective Vendors”) entered into the memorandum of understanding in relation to the proposed acquisition of 100% of the issued share capital in Grace Profit Corporation Limited (“Grace Profit”) by the Company from the Prospective Vendors as contemplated under the memorandum of understanding (the “Proposed Acquisition”). Subject to the satisfaction of due diligence result on Grace Profit, the Company will consider further negotiation with the Prospective Vendors on the Proposed Acquisition. Grace Profit holds an exclusive franchise right to manufacture and sell the “HIWI” brand of kids clothing within the southern area from Changjiang River of Mainland China. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Prospective Vendors and their respective ultimate beneficial owners are Independent Third Parties.

The memorandum of understanding does not create legally binding obligations on the parties in relation to the Proposed Acquisition but is legally binding as to exclusivity period which is of three months commencing on the date of the memorandum of understanding. The Proposed Acquisition is subject to the negotiation and entering into of the formal sale and purchase agreement. The terms and consideration for the Proposed Acquisition will be subject to further negotiation between the Prospective Vendors and the Company. For more details, please refer to the announcement of the Company dated 18 July 2013.

Save as disclosed above, as at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about (i) any acquisition of business and/or assets or investment opportunity; (ii) any further disposal, termination, and/or scaling-down of the existing businesses and major assets of the Group; and (iii) any fund-raising plan (including the issue of new Share and/or convertible securities).

Set out below are the unaudited consolidated financial information of Fountain City Holdings Limited (“Fountain City”) and its subsidiaries (the “Disposal Group”) for the period from 16 July 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and 2012 and the period from 1 January 2013 to 31 March 2013 (the “Financial Information of the Disposal Group”) which have been prepared by the Directors using accounting policies of the Company in accordance with paragraph 68(2)(a)(i) of Chapter 19 of the GEM Listing Rules and the basis set out in note 2 to the Financial Information of the Disposal Group. The auditor of the Company, Elite Partners CPA Limited, has reviewed the Financial Information of the Disposal Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and concluded that nothing has come to their attention that causes them to believe that the Financial Information of the Disposal Group is not prepared, in all material respects, in accordance with the accounting policies adopted by the Company as set out in its annual consolidated financial statements for the year ended 31 December 2012 and the basis set out in note 2 to the Financial Information of the Disposal Group.



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

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

Dear Sirs

INTRODUCTION

We have reviewed the unaudited consolidated financial information of Fountain City Holdings Limited (“Fountain City”) and its subsidiaries (the “Disposal Group”) set out on pages II-4 to II-9 of the circulars which comprise the unaudited consolidated statements of financial position as of 31 December 2010, 2011 and 2012 and 31 March 2013 and the related unaudited consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period from 16 July 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and 2012 and the period from 1 January 2013 to 31 March 2013 (the “Relevant Periods”) and explanatory notes (the “Unaudited Consolidated Financial Information”). The Unaudited Consolidated Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by TLT Lottotainment Group Limited (the “Company”) in connection with the disposal of Fountain City in accordance with the GEM Listing Rule 19.68(2)(a)(i)(A).

The directors of the Company are responsible for the preparation and presentation of the financial information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the financial information and GEM Listing Rule 19.68(2)(a)(i). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Unaudited Consolidated Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibility is to express a conclusion on this Unaudited Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 (“HKSRE 2410”) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the HKICPA. A review of the unaudited financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Consolidated Financial Information of the Disposal Group for the relevant periods are not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Consolidated Financial Information.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate number
P05131

APPENDIX II	FINANCIAL INFORMATION OF THE DISPOSAL GROUP
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Unaudited consolidated statement of comprehensive income of the Disposal Group

	Period from 1 January 2013 to 31 March 2013 <i>HK\$'000</i>	Year ended 31 December		Period from 16 July 2010 (date of incorporation) to 31 December 2010 <i>HK\$'000</i>
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	
Turnover	90	277	1,178	394
Cost of services	<u>(34)</u>	<u>(526)</u>	<u>(1,424)</u>	<u>(687)</u>
Gross profit/(loss)	56	(249)	(246)	(293)
Other income	–	104	216	24
Administrative expenses	<u>(1,901)</u>	<u>(10,050)</u>	<u>(12,390)</u>	<u>(2,948)</u>
Loss from operations	(1,845)	(10,195)	(12,420)	(3,217)
Finance costs	<u>(1)</u>	<u>(11)</u>	<u>(16)</u>	<u>–</u>
Loss before tax	(1,846)	(10,206)	(12,436)	(3,217)
Taxation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the year/period	<u><u>(1,846)</u></u>	<u><u>(10,206)</u></u>	<u><u>(12,436)</u></u>	<u><u>(3,217)</u></u>
Attributable to:				
Owners of the Disposal Group	(938)	(6,377)	(5,792)	(2,844)
Non-controlling interest	<u>(908)</u>	<u>(3,829)</u>	<u>(6,644)</u>	<u>(373)</u>
Loss and total comprehensive loss for the year/period	<u><u>(1,846)</u></u>	<u><u>(10,206)</u></u>	<u><u>(12,436)</u></u>	<u><u>(3,217)</u></u>

APPENDIX II	FINANCIAL INFORMATION OF THE DISPOSAL GROUP
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Unaudited consolidated statement of financial position of the Disposal Group

	At 31 March 2013 HK\$'000	2012 HK\$'000	As at 31 December 2011 HK\$'000	2010 HK\$'000
Non-current assets				
Property, plant and equipment	3,709	4,132	3,256	53
<i>Current assets</i>				
Trade and other receivables	5,694	5,932	2,773	1,379
Cash and bank balances	114	58	913	2,189
	5,808	5,990	3,686	3,568
<i>Current liabilities</i>				
Trade and other payables	12,679	10,827	7,486	649
Amount due to holding company	6,244	6,244	-	-
Amount due to a related company	918	918	940	-
Amounts due to directors	17,104	17,639	13,782	6,184
Finance lease payable	84	84	82	-
	37,029	35,712	22,290	6,833
Net current liabilities	(31,221)	(29,722)	(18,604)	(3,265)
Total assets less current liabilities	(27,512)	(25,590)	(15,348)	(3,212)
<i>Non-current liabilities</i>				
Finance lease payable	(188)	264	300	-
NET LIABILITIES	(27,700)	(25,854)	(15,648)	(3,212)
<i>Capital and reserves</i>				
Share capital	1	1	1	1
Accumulated losses	(15,951)	(15,013)	(8,636)	(2,844)
Total equity attributable to owners of the company	(15,950)	(15,012)	(8,635)	(2,843)
Non-controlling interest	(11,750)	(10,842)	(7,013)	(369)
TOTAL EQUITY	(27,700)	(25,854)	(15,648)	(3,212)

APPENDIX II	FINANCIAL INFORMATION OF THE DISPOSAL GROUP
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Unaudited consolidated statement of changes in equity of the Disposal Group

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Non-controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 16 July 2010				
(date of incorporate)	-	-	-	-
Issue of ordinary share	1	-	-	1
Deemed contribution from non-controlling interest	-	-	4	4
Loss and total comprehensive expenses for the period	-	(2,844)	(373)	(3,217)
At 31 December 2010 and 1 January 2011	1	(2,844)	(369)	(3,212)
Loss and total comprehensive expenses for the year	-	(5,792)	(6,644)	(12,436)
At 31 December 2011 and 1 January 2012	1	(8,636)	(7,013)	(15,648)
Loss and total comprehensive expenses for the year	-	(6,377)	(3,829)	(10,206)
At 31 December 2012	1	(15,013)	(10,842)	(25,854)
Loss and total comprehensive expenses for the period	-	(938)	(908)	(1,846)
At 31 March 2013	1	(15,951)	(11,750)	(27,700)

Unaudited consolidated statement of cash flows

	Period from 1 January 2013 to 31 March 2013 HK\$'000	Year ended 31 December 2012 HK\$'000	2011 HK\$'000	Period from 16 July 2010 (date of incorporation) to 31 December 2010 HK\$'000
Loss before tax	(1,846)	(10,206)	(12,436)	(3,217)
Adjustment for:				
Interest income	-	(1)	(7)	(1)
Depreciation	423	1,543	678	13
Property, plant and equipment write-off	-	-	662	-
Finance cost	-	11	16	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating loss before working capital changes	(1,423)	(8,653)	(11,087)	(3,205)
Decrease/(Increase) in trade and other receivables	238	(3,159)	(1,394)	(1,379)
Increase in trade and other payables	1,852	3,341	6,837	649
Increase in amount due to the holding Company	-	6,244	-	-
(Decrease)/Increase in amount due to a related company	-	(22)	940	-
(Decrease)/Increase in amounts due to directors	(535)	3,857	7,598	6,184
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from operating activities	<u> 132</u>	<u> 1,608</u>	<u> 2,894</u>	<u> 2,249</u>
Investing activities				
Payment of purchase of property, plant and equipment	-	(2,419)	(4,093)	(66)
Interest received	-	1	7	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	<u> -</u>	<u> (2,418)</u>	<u> (4,086)</u>	<u> (65)</u>

	Period from 1 January 2013 to 31 March 2013 <i>HK\$'000</i>	Year ended 31 December		Period from 16 July 2010 (date of incorporation) to 31 December 2010 <i>HK\$'000</i>
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	
Financing activities				
Repayment of finance lease	(76)	(45)	(68)	–
Interest paid	–	–	(16)	–
Issue of ordinary shares	–	–	–	1
Capital injection by non-controlling interest	–	–	–	4
	<u>–</u>	<u>–</u>	<u>–</u>	<u>4</u>
Net cash used in financing activities	<u>(76)</u>	<u>(45)</u>	<u>(84)</u>	<u>5</u>
Net (decrease)/increase in cash and cash equivalents	56	(855)	(1,276)	2,189
Cash and cash equivalents at beginning of year/period	<u>58</u>	<u>913</u>	<u>2,189</u>	<u>–</u>
Cash and cash equivalents at end of year/period	<u><u>114</u></u>	<u><u>58</u></u>	<u><u>913</u></u>	<u><u>2,189</u></u>
Analysis of balances of cash and cash equivalents				
Cash and bank balances	<u>114</u>	<u>58</u>	<u>913</u>	<u>2,189</u>
Cash and cash equivalents at end of year/period	<u><u>114</u></u>	<u><u>58</u></u>	<u><u>913</u></u>	<u><u>2,189</u></u>

Notes to the financial information**1. CORPORATE INFORMATION**

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. Upon the Disposal Completion, the Disposal Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The financial information of the Disposal Group has been prepared in accordance with Rule 68(2)(a)(i) of Chapter 19 of the GEM Listing Rules, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal. The amounts in the financial information for each of the period from 16 July 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and 2012 and the period from 1 January 2013 to 31 March 2013 have been recognised and measured in accordance with the relevant accounting policies of the Group adopted in the preparation of its consolidated financial statements, which conform with the Hong Kong Financial Reporting Standards issued by the HKICPA.

The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements".

The unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated statement of cash flows of the Disposal Group for each of the period from 16 July 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and 2012 include the results, changes in equity and cash flows of the Disposal Group throughout the period from 16 July 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and 2012 and the period from 1 January 2013 to 31 March 2013.

The unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2010 and 2011 and 2012 and 31 March 2013 include assets, liabilities and equity of the Disposal Group which were in existence on those dates.

3. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial information, there was no significant event which happened after the end of the reporting period.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

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

Dear Sirs,

We report on the unaudited pro forma financial information of TLT Lottotainment Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages III-4 to III-15 under the heading of “Unaudited Pro Forma Financial Information of the Remaining Group” (the “Unaudited Pro Forma Financial Information of the Remaining Group”) in Appendix III of the Company’s circular dated 8 August 2013 (the “Circular”) in connection to the proposed disposal of 51% equity interest in Fountain City Holdings Limited and its subsidiaries (the “Disposal Group”). The Group (other than the Disposal Group) hereinafter collectively is referred to as the “Remaining Group”. The basis of preparation of the Unaudited Pro Forma Financial Information of the Remaining Group is set out on pages III-2 to III-3 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circular" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information of the Remaining Group is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of

- the financial position of the Remaining Group as at 31 December 2012 or any future date; or
- the results and cash flows of the Remaining Group for the year ended 31 December 2012 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information of the Disposal Group has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate number
P05131

Introduction

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. Upon the Disposal Completion, the Disposal Group will cease to be a subsidiary of the Company and the results, assets and liabilities will be deconsolidated from the consolidated accounts of the Company.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Disposal. The unaudited consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2012 as extracted from the annual report of the Company for the year ended 31 December 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 31 December 2012.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2012 as extracted from the annual report of the Company for the year ended 31 December 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 January 2012.

The Unaudited Pro Forma Financial Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the results, cash flows, or financial position of the Remaining Group upon Disposal Completion or of any future period or of any future data.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE REMAINING GROUP**

The following is the unaudited pro forma consolidated statement of financial position of the Remaining Group, assuming that the Disposal had been completed on 31 December 2012. The unaudited pro forma consolidated statement of financial position is based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2012 as extracted from the Company's annual report for the year ended 31 December 2012, and the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2012 as set out in Appendix II to this circular.

As the unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at the date to which it is made up to or at any future date.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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Unaudited pro forma consolidated statement of financial position of the Remaining Group

	The Group as at 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group as at 31 December 2012 <i>HK\$'000</i> (Unaudited) <i>(Note 1)</i>	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Non-current assets					
Property, plant and equipment	810				810
Intangible assets	181				181
Goodwill	20,402				20,402
	21,393				21,393
Current assets					
Trade and other receivables	61,375				61,375
Trading Security	981				981
Restricted bank deposits	1,721				1,721
Cash and cash equivalents	4,491		(1,000)	4	68,385
			58,650	3	
			6,244	5	
	68,568				132,462
Assets classified as held for sales	68,772	(10,122)	(58,650)	2	-
	137,340				132,462
Current liabilities					
Trade and other payables	7,505				7,505
Amount due by the Disposal Group to the Company	-	6,244	(6,244)		-
Finance lease payables	26				26
Interest-bearing loans	122,600				122,600
	130,131				130,131
Liabilities directly associated with assets classified as held for sale	29,732	(29,732)		2	-
	159,863				130,131
Net current liabilities	(22,523)				2,331
Total assets less current liabilities	(1,130)				23,724

	The Group as at 31 December 2012 HK\$'000 (Audited)	The Disposal Group as at 31 December 2012 HK\$'000 (Unaudited) (Note 1)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma Remaining Group HK\$'000 (Unaudited)
Non-current liabilities					
Convertible bonds	<u>27,937</u>				<u>27,937</u>
NET (LIABILITIES)	<u>(29,067)</u>				<u>(4,213)</u>
CAPITAL AND RESERVES					
Share capital	32,824				32,824
Reserves	(49,456)		15,012 (1,000)	6 4	(35,444)
NON-CONTROLLING INTERESTS	<u>(12,435)</u>	10,842			<u>(1,593)</u>
TOTAL EQUITY	<u>(29,067)</u>				<u>(4,213)</u>

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE REMAINING GROUP**

The following is the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group, assuming that the Disposal had been completed on 1 January 2012. The unaudited pro forma consolidated statement of comprehensive income is based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2012 as extracted from the Company's annual report for the year ended 31 December 2012 and the unaudited consolidated statement of comprehensive income of the Disposal Group for the year ended 31 December 2012 as set out in Appendix II to this circular. Such information is adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the results of the Remaining Group after Disposal Completion for the year ended 31 December 2012 to which it is made up to or for any future period.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group

	The Group for the year ended 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group for the year ended 31 December 2012 <i>HK\$'000</i> (Unaudited) <i>(Note 7)</i>	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Continuing operations					
Turnover	23,194				23,194
Cost of services	<u>(18,860)</u>				<u>(18,860)</u>
Gross profit	4,334				4,334
Other income and gain, net	(391)				(391)
Gain on fair value changes on derivative financial instruments	11,572				11,572
Operating and administrative expenses	(20,437)		(1,000)	4	(21,437)
Impairment loss on associates	(15,220)				(15,220)
Impairment loss on jointly controlled entities	(127)				(127)
Gain on reversal of impairment loss on investment deposit	41,000				41,000
Impairment loss on goodwill	(14,329)				(14,329)
Profit from operations	6,402				5,402
Finance costs	(31,124)				(31,124)
Share of losses of associates	(1,335)				(1,335)
Share of losses of jointly controlled entities	<u>(1,373)</u>				<u>(1,373)</u>
Loss before taxation	(27,430)				(28,430)
Taxation	<u>-</u>				<u>-</u>
Loss after taxation from continuing operations	(27,430)				(28,430)
Discontinued operations					
Loss from discontinued operations	<u>(28,823)</u>	10,206	15,012	6	<u>(3,605)</u>
Loss for the year	<u><u>(56,253)</u></u>				<u><u>(32,035)</u></u>

	The Group for the year ended 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group for the year ended 31 December 2012 <i>HK\$'000</i> (Unaudited) (<i>Note 7</i>)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Other comprehensive income/(expenses) for the year (after tax and reclassification adjustment)					
Exchange differences on translation of financial statements of overseas subsidiaries	21				21
Exchange reserve released upon disposal of discontinued operations	<u>170</u>				<u>170</u>
Other comprehensive income/(expense) for the year	<u>191</u>				<u>191</u>
Total comprehensive expense for the year	<u><u>(56,062)</u></u>				<u><u>(31,844)</u></u>
Attributable to:					
Equity shareholders of the Company	(45,997)				(25,608)
Non-controlling interests	<u>(10,065)</u>				<u>(6,236)</u>
Total comprehensive expense for the year	<u><u>(56,062)</u></u>				<u><u>(31,844)</u></u>

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE REMAINING GROUP**

The following is the unaudited pro forma consolidated statement of cash flows of the Remaining Group, assuming that the Disposal had been completed on 1 January 2012. The unaudited pro forma consolidated statement of cash flows is based on the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 as extracted from the Company's annual report for the year ended 31 December 2012 and the unaudited consolidated statement of cash flows of the Disposal Group for the year ended 31 December 2012 as set out in Appendix II to this circular. Such information is adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated statement of cash flows of the Remaining Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Group after Disposal Completion for the year ended 31 December 2012 to which it is made up to or for any future period.

Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for the year ended 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group for the year ended 31 December 2012 <i>HK\$'000</i> (Unaudited) (<i>Note 8</i>)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Operating activities					
Loss before taxation					
From continuing operations	(27,430)		(1,000)	4	(28,430)
From discontinuing operations	(28,823)	10,206	15,012		(3,605)
Adjustments for:					
Depreciation	2,025	(1,543)			482
Loss on disposal of discontinued operations	4,647		(15,012)	6	(10,365)
Gains on fair value changes on derivative financial instruments	(11,572)				(11,572)
Gain on reversal of impairment loss on investment deposit	(41,000)				(41,000)
Impairment loss on goodwill	14,329				14,329
Impairment loss on associates	15,220				15,220
Impairment loss on jointly controlled entities	127				127
Amortisation of intangible assets	11,663				11,663
Fair value change on trading security	542				542
Loss on disposal of property, plant and equipment	58				58
Share of losses on associates	1,335				1,335
Share of losses on jointly controlled entities	1,373				1,373
Allowance for impairment of doubtful debts	79				79
Interest income	(46)	1			(45)
Finance costs	32,129	(11)			32,118

	The Group for the year ended 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group for the year ended 31 December 2012 <i>HK\$'000</i> (Unaudited) <i>(Note 8)</i>	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Operating loss before changes in working capital	(25,344)				(17,691)
Decrease in trade and other receivables	28,457	3,159	(58,650)		(27,034)
Increase in trade and other payables	6,142	(3,341)	1,000	4	3,801
Decrease in amount due by the Disposal Group to the Company			6,244	5	6,244
Increase in amount due to a related company	-	22			22
Increase in amounts due to directors	-	(3,857)			(3,857)
Cash generated from operations	9,255	(1,608)			(38,515)
Tax paid					
PRC Enterprise Income tax	-				-
Net cash generated from (used in) operating activities	<u>9,255</u>				<u>(38,515)</u>
Investing activities					
Payment for purchase of property, plant and equipment	(2,682)	2,419			(263)
Proceed from disposal of Subsidiaries			57,737	9	57,737
Proceeds from disposal of property, plant and equipment	800				800
Advance to an associate	(2,054)				(2,054)
Payment for purchase of trading security	(1,523)	-			(1,523)
Interest received	46	(1)			45
Disposal of discontinued operations, net inflow of cash	6,969				6,969
Acquisition of subsidiaries, net outflow of cash	(14,999)				(14,999)
Net cash used in investing activities	<u>(13,443)</u>				<u>46,712</u>

	The Group for the year ended 31 December 2012 <i>HK\$'000</i> (Audited)	The Disposal Group for the year ended 31 December 2012 <i>HK\$'000</i> (Unaudited) <i>(Note 8)</i>	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group <i>HK\$'000</i> (Unaudited)
Financing activities					
Increase in interest bearing loan	165,000				165,000
Repayments of convertible bonds	(50,000)				(50,000)
Repayment of other loans	(42,400)				(42,400)
Repayment of promissory notes	(91,895)				(91,895)
Repayment of finance leases	(838)	45			(793)
Proceeds from issuance of shares, net of share issue costs	20,426				20,426
(Increase)/decrease in restricted bank deposits	7				7
Interest paid	(28,699)				(28,699)
Further interest in subsidiaries	-				-
Net cash generated from financing activities	<u>(28,399)</u>	<u>45</u>			<u>(28,354)</u>
Net increase in cash and cash equivalents	(32,587)				(20,157)
Cash and cash equivalents at 1 January	37,101				36,188
Effect of foreign exchange rate changes	<u>35</u>				<u>35</u>
Cash and cash equivalents at 31 December	<u><u>4,549</u></u>				<u><u>16,066</u></u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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Notes:

- 1) For the purpose of the Unaudited Pro Forma Financial Information, the assets and liabilities of the Disposal Group, as extracted from statement of financial position of the Disposal Group as at 31 December 2012 as shown in Appendix II to this Circular.
- 2) According to HKFRS 5, the Company classified the assets and liabilities of the Disposal Group as held for sales after the Company has exercised the Put Option on 28 December 2012 as set out in annual report of the Company for the year ended 31 December 2012. The assets held for sales represented the Disposal Group's assets of approximately HK\$10,122,000 and fair value of put option of approximately HK\$58,650,000, and the amount of liabilities held for sales were approximately HK\$29,732,000.

The adjustment represents the fair value of put option of HK\$58,650,000 (the Option Exercise Price under the Agreement) in connection with the Disposal, as if the Completion has taken place at the date reported on (i.e. 31 December 2012).

- 3) The adjustment reflects the receipt of cash consideration of approximately HK\$58,650,000 in connection with the Disposal, as if the Completion had taken place at the date reported on (i.e. 31 December 2012) and the consideration of HK\$58,650,000 were received in full on 31 December 2012.
- 4) The adjustment represents the related estimated expenses attributable to the Disposal, including the related legal advisory fees, financial advisory service fee, accounting fee and independent financial advisory service fee of approximately HK\$1,000,000.
- 5) The adjustment reflects the receipts of settlement of amount due by the Disposal Group to the Company of approximately HK\$6,244,000 on or before the Completion. The settlement of the amount due by the Disposal Group to the Company was mutually agreed between the Vendor and the Purchaser verbally.
- 6) The adjustment represents the recognition of the gain on the Disposal of approximately HK\$15,012,000 in the reserves on the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2012.

	<i>Note</i>	<i>HK\$'000</i>
Cash consideration		58,650
Net liabilities of the Disposal Group as at 31 December 2012	<i>(i)</i>	25,854
Non-controlling interests of the Disposal Group as at 31 December 2012		(10,842)
Fair value of Put Option previously recognised by the Company	<i>(ii)</i>	<u>(58,650)</u>
 Gain on disposal as if the Completion has taken place on 31 December 2012		 <u>15,012</u>

Notes:

- (i) These figures are extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2012 as set out in Appendix II to this circular.
- (ii) This figure is extracted from the annual report of the Company for the year ended 31 December 2012. The fair value of the Put Option was determined by the option exercise price of HK\$58,650,000 which was agreed by the Vendor and the Company on 28 December 2012, being the date the director of the Company has served an option notice stating its intention to exercise the Put Option and required the Vendor to purchase the option shares.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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- 7) The adjustment represents the exclusion of the results of the Disposal Group for the year ended 31 December 2012 (as extracted from the unaudited consolidated statement of comprehensive income of the Disposal Group for the year ended 31 December 2012 as set out in Appendix II to this circular), as if the Disposal Completion has taken place at the commencement of the period reported on (i.e. 1 January 2012).
- 8) The adjustment represents the exclusion of the cash flows of the Disposal Group for the year ended 31 December 2012 (as extracted from the unaudited consolidated statement of cash flows of the Disposal Group for the year ended 31 December 2012 as set out in Appendix II to this circular), as if the Disposal Completion has taken place at the commencement of the period reported on (i.e. 1 January 2012).
- 9) The adjustment represents the recognition of the cash inflow on the Disposal of approximately HK\$58,650,000, as if the Disposal Completion had taken place at the commencement of the period reported on (i.e. 1 January 2012).

The cash inflow on the Disposal is calculated as follows:

	<i>HK\$'000</i>
Cash consideration	58,650
Cash and bank balance of the Disposal Group as at 1 January 2012 (as extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2011 as set out in Appendix II to this circular)	(913)
	<hr style="border: 0.5px solid black;"/>
	<u>57,737</u>

- 10) Apart from the above, no other adjustment has been made to reflect other acquisition or disposal of business of the Group subsequent to 31 December 2012.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or 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 required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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:

Long position in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of Shares and underlying Shares held	Approximate percentage of total issued ordinary Shares
Mr. Fung Derek Yue Tak (<i>Note</i>)	Beneficial owner	56,814,000	27.05%
Mr. Chong Chin	Beneficial owner	20,033,000	9.54%
Mr. Lin Rong Zhen	Beneficial owner	10,681,000	5.08%

Note: The holder of the convertible note issued by the Company in an outstanding principal amount of HK\$28.08 million due on 28 March 2014. Based on the conversion price of HK\$0.50 per conversion share, 56,160,000 Shares may be converted under the convertible note.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the Shares, 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.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors or expert has, directly or indirectly, any interest in any assets which have since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) and their respective associates has any interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

6. LITIGATION

Writ of summon by Song Zizhang against the Company as 3rd defendant

On 10 October 2012, a writ of summon (the "Writ") was served on the Company. The Writ was issued on 21 September 2012 by Song Zizhang (the "Plaintiff") against: Cheung Man Yau, Timothy as 1st defendant, Glorison Development Limited as 2nd defendant and the Company as 3rd defendant.

Pursuant to the Writ, the Plaintiff claims, among other things, against the Company for (i) a declaration that the Company do cause the transfer of all TLT Services (Shanghai) Limited's shares (the "Shares") to the Plaintiff; and (ii) an order that the Company do transfer or cause to transfer the Licence (the "Licenses", defined in the statement of Claim indorsed to the Writ as to mean the two licenses for the purposes of permission to operate add-value mobile business and permission to use recharging and access code of short message services in China obtained by Shanghai Tang Road Communication Company Limited (whose name was later changed to TLT (Shanghai) Limited)).

On 8 January 2009, the Company had acquired an indirect equity interest of TLT Services (Shanghai) Limited through the acquisition of 65% share capital in Wisdom In Holdings Limited and reference is made to the announcements of the Company dated 30 July 2008, 15 October 2008 and 8 January 2009 and the circular of the Company dated 5 November 2008 for details of the relevant acquisition.

The abovementioned indirect share equity of TLT Services (Shanghai) Limited was disposed of by the Company on 4 April 2011 through the disposal of the Company's 65% share capital in Wisdom In Holdings Limited and reference is made to the announcements of the Company dated 30 March 2011 and 4 April 2011 for details of the relevant disposal. The Board is of the view that the Plaintiff's claims against the Company under the Writ are unfounded and the Company has on 13 December 2012 applied to the High Court to strike out the Plaintiff's claim against the Company under the Writ. In a hearing of the application held on 22 May 2013, the Court has ordered upon the application of the Company that the Plaintiff's claims against the Company under the Writ be struck out and that the Plaintiff shall pay the costs of the Company in the application on indemnity basis. Details of the litigation were published in the Company's announcements dated 10 October 2012, 13 March 2013 and 22 May 2013.

Writ of summon by Good Alliance Trading Limited against the Company as 2nd defendant

Reference is made to the announcement of the Company 20 June 2013 relating to a newspaper article on 20 June 2013 reporting a writ of summons has been filed with the High Court of Hong Kong Special Administrative Region whereas the Company is named as one of the defendants in the writ for claiming a guaranteed reward for the sum of HK\$2,400,000.

On 24 June 2013, a writ of summons (the "Writ B") was served on the Company. The Writ B was issued by Good Alliance Trading Limited as plaintiff (the "Plaintiff B") who has named the Company as the 2nd defendant therein. Under the statement of claim endorsed to the Writ B, the Plaintiff B claims against the Company, for the sum of HK\$2,400,000 and interest, as one of the guarantors under a guarantee in writing dated 14 December 2011 over the due and punctual performance and observance by Creative Works Limited ("Creative Works"), the 1st defendant named in the Writ B, of all its obligations contained in a memorandum of agreement dated 14 December 2011 entered into between Creative Works and the Plaintiff B (the "Agreement B") whereby the Plaintiff B has agreed to participate in the project of Creative Works relating to the performance of the stage drama "天龍八步" or "Born to be Hero" in Beijing by acquiring a 15% interest in the said project for the investment sum of HK\$2,000,000.

By a guarantee in writing dated 14 December 2011 (the "Guarantee") entered into by the Company, Chan Chui Man being the 3rd defendant named under the Writ B, and Yeung Wai Bo being the 4th defendant under the Writ B as guarantors, and the Plaintiff B, the Company together with the other two guarantors have jointly and severally guaranteed the due and punctual performance and observance

by Creative Works of all its obligations contained in the Agreement B including the return of the investment sum of HK\$2,000,000 and payment of a guaranteed return of not less than HK\$400,000 as at the cut-off date of 31 March 2012. Creative Works was an indirect non-wholly owned subsidiary of the Company from 18 April 2011 until 28 December 2012.

Reference is also made to the announcement of the Company dated 28 December 2012 relating the early exercise by the Company of the put option to put back the entire issued share capital of Dragon Gain Worldwide Limited (“Dragon Gain”) to their original vendors of Dragon Gain at the put option price of HK\$49,200,000. Dragon Gain is the holder of 51% of the entire issued share capital of Creative Works.

According to the announcement of the Company dated 24 June 2013 following the putting back of the entire issued share capital of Dragon Gain to the original vendors of Dragon Gain, Tang Tsz Hoo Anthony of the original vendors of Dragon Gain has undertaken to the Company that he will assume the obligations and liabilities of the Company towards the Plaintiff B under the Guarantee and to indemnify the Company over the obligations and liabilities of the Company towards the Plaintiff B (the “Undertaking”).

On 11 July 2013, the Board announced that after extensive negotiation with the Plaintiff B and Tang Tsz Hoo Anthony (the “Parties”), on 11 July 2013, the Parties entered into the settlement deed pursuant to which, among others, (i) the Company agrees to pay HK\$2,400,000 of all the Plaintiff B’s claims (the “Settlement Sum”) against the Company under the action and Guarantee; (ii) the Plaintiff B agrees that upon receipt of the first payment of Settlement Sum within 7 days, it shall withdraw and discontinue its claim against the Company under the action and the Plaintiff B and the Company shall instruct their respective solicitors to endorse and file a consent summons or consent order with the Court of First Instance of the High Court pursuant to the Rules of High Court to apply the Court for the Plaintiff B to wholly discontinue its claims against the Company under the action with no order as to cost; and (iii) Tang Tsz Hoo Anthony agrees to pay HK\$2,400,000 to the Company (the “Indemnity Sum”) in satisfaction of its obligations under the undertaking letter signed on 28 December 2012.

Pursuant to the settlement deed, the payment of the Settlement Sum and the payment of the Indemnity Sum are in the following manners:

In relating to the Settlement Sum, the Company shall pay to the Plaintiff B by way of post-dated cheques:

- (a) HK\$400,000 within 3 days from the date of the settlement deed;
- (b) HK\$400,000 within 2 months from the date of the settlement deed;
- (c) HK\$400,000 within 4 months from the date of the settlement deed;
- (d) HK\$400,000 within 6 months from the date of the settlement deed;

- (e) HK\$400,000 within 8 months from the date of the settlement deed; and
- (f) HK\$400,000 within 10 months from the date of the settlement deed.

In relating to the Indemnity Sum, Tang Tsz Hoo Anthony shall pay to the Company:

- (a) HK\$400,000 upon execution of the settlement deed;
- (b) HK\$400,000 within 1 months and 27 days from the date of the settlement deed;
- (c) HK\$400,000 within 3 months and 27 days from the date of the settlement deed;
- (d) HK\$400,000 within 5 months and 27 days from the date of the settlement deed;
- (e) HK\$400,000 within 7 months and 27 days from the date of the settlement deed; and
- (f) HK\$400,000 within 9 months and 27 days from the date of the settlement deed.

The payment obligations of the Settlement Sum and the Indemnity Sum are independent of each other and they are not inter-dependent on each other whatsoever.

On 17 July 2013, the Plaintiff B has made a notice of discontinuance to the High Court to wholly discontinue the Claim against the Company, details of the litigation were published in the Company's announcements dated 20 June 2013, 24 June 2013, 11 July 2013, 18 July 2013, 23 July 2013 and 1 August 2013.

As disclosed in the announcement of the Company dated 23 July 2013, Tang Tsz Hoo Anthony failed to effect the payment of HK\$400,000 upon execution of the settlement deed entered into between the Plaintiff B, the Company and Tang Tsz Hoo Anthony on 11 July 2013 and the Company has served a final reminder to Tang Tsz Hoo Anthony on 16 July 2013 to demand the payment of HK\$400,000 on or before 23 July 2013. As at the Latest Practicable Date, Tang Tsz Hoo Anthony failed to effect the payment of HK\$400,000 and the Company has instructed its legal advisors to commence legal proceedings against Tang Tsz Hoo Anthony to recover the first instalment payment of HK\$400,000 of the Indemnity Sum.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, the Group was not engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts (collectively, the “Experts”) who have given opinions and advices, which are contained in this circular:

Name	Qualification
Goldin Financial	A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Elite Partners CPA Limited	Certified Public Accountants

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters and/or references to its name and/or its advice in the form and context in which they respectively appear.

9. EXPERTS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, each of the Experts:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the memorandum of understanding entered into between the Company and China Well Investments Reward Inc. and United Path Inc. dated 18 July 2013 in relation to the proposed acquisition of 100% of the issued share capital in Grace Profit Corporation Limited by the Company from China Well Investments Reward Inc. and United Path Inc.;

- (b) the settlement deed entered into between the Company and Good Alliance Trading Limited and Tang Tsz Hoo Anthony dated 11 July 2013 pursuant to which, among others, (i) the Company agreed to pay HK\$2,400,000 of all the claims made by Good Alliance Trading Limited against the Company under the Guarantee; and (ii) Tang Tsz Hoo Anthony agreed to pay HK\$2,400,000 to the Company in satisfaction of its obligations under the undertaking letter signed on 28 December 2012;
- (c) the conditional placing agreement entered into between the Company and China Times Securities Limited dated 11 June 2013 in relation to the placing of 13,110,000 new shares at the placing price of HK\$0.60 per Placing Share. The net proceeds was approximately HK\$7.60 million;
- (d) the loan agreement entered into between the Company and HEC Finance 92 Limited dated 27 May 2013 in relation to a secured loan facility of HK\$37 million for a fixed term of 3 months at an agreed interest rate of 1.5% per month;
- (e) a supplemental agreement entered into between the Company and Fung Yue Tak, Derek dated 1 March 2013 to further amend the condition of the convertible note by adding three new events of default;
- (f) the underwriting agreement dated 5 February 2013 entered into between the Company and Quest Stockbrokers (HK) Limited in relation to the underwriting arrangement in respect of the proposed open offer of the Company on the basis of 2 offer shares for every one of the existing share of HK\$0.5 each held on record date, the net proceeds was approximately HK\$62.6 million;
- (g) letter from the Company to the original vendors of Dragon Gain Worldwide Limited dated 28 December 2012 regarding the put option to transfer back all the shares of Dragon Gain Worldwide Limited to the original vendors at the pre-agreed put option exercise price of HK\$49,200,000;
- (h) letter from the Company to the original vendor of Fountain City Holdings Limited dated 28 December 2012 regarding the put option to transfer back 51% of the entire issued shares of Fountain City Holdings Limited to the original vendor at the option exercise price of HK\$58,650,000;
- (i) the extension agreement entered into between the Company and Fung Yue Tak, Derek date 8 January 2013 to amend the conditions of the convertible note with principal amount of HK\$60,000,000 due 2013 issued by the Company on 28 March 2011;
- (j) the sale and purchase agreement dated 26 November 2012 entered into between Fame Network Limited as purchaser, a wholly owned subsidiary of the Company, and Mr. Ma Chun Loi as vendor in relation to the acquisition of the entire issued share capital of Mass Apex Limited at the consideration of HK\$68 million;

- (k) the repayment agreement entered into between the Company and Mr. Gao Feng dated 26 November 2012 for the full refund of the outstanding deposit of HK\$41 million by Mr. Gao Feng to the Company on or before 31 December 2012 in connection with the Galaxy Mount Acquisition Termination (as defined below);
- (l) the conditional placing agreement entered into between the Company and Freeman Securities Limited dated 4 October 2012 in relation to the placing of 6,564,711 new shares at the placing price of HK\$0.50 per placing share. The net proceeds was approximately HK\$2.98 million;
- (m) the underwriting agreement dated 8 June 2012 and/or the supplementary underwriting agreement dated 20 June 2012 entered into between the Company and Freeman Securities Limited in relation to the underwriting arrangement in respect of the proposed rights issue of the Company on the basis of one rights share for every two of the then existing share of HK\$0.05 each held on the record date;
- (n) the loan agreement entered between the Company and Gain All Investments Limited dated 30 May 2012 in relation to a loan facility of HK\$165 million for a fixed term of 12 months at an agreed interest rate of 1.5% per month;
- (o) the conditional placing agreement entered into between the Company and Freeman Securities Limited dated 23 May 2012 in relation to the placing of 65,647,113 new shares at the placing price of HK\$0.12 per placing share. The net proceed was approximately HK\$7.32 million;
- (p) the sale and purchase agreement dated 14 November 2011 entered into between Mr. Chang Ka Wai as vendor and the Company as purchaser relating to the sale and purchase of the one ordinary share of US\$1.00 in the issued share capital of Creative Star Limited at the consideration of HK\$20 million. Creative Star Limited owns 60% of the issued share capital of Hong Kong Marketing Service Limited. The principal business of Hong Kong Marketing Service Limited is product advertising and promotion, marketing agency and planning, function organisation and media project services;
- (q) the supplemental agreement dated 25 November 2011 made between Mr. Chang Ka Wai and the Company to amend and vary terms of the sale and purchase agreement dated 14 November 2011;
- (r) the second supplemental agreement dated 20 January 2012 made between Mr. Chang Ka Wai and the Company to further amend the terms of the sale and purchase agreement dated 14 November 2011;
- (s) the conditional subscription agreement entered into between the Company and Sun Finance Co., Ltd dated 8 August 2011 in relation to the subscription of the convertible bonds issued by the Company due 2012 with an initial conversion price of HK\$0.30 per conversion share and an outstanding principal amount of HK\$50 million, and the supplemental subscription agreement entered into between the Company and Sun Finance Co., Ltd dated 23 August 2011 to amend certain terms of the conditional subscription agreement dated 8 August 2011;

- (t) the memorandum of understanding entered into between the Company and Mr. Chu Wai Hung Stephen dated 5 August 2011 in relation to the proposed acquisition of up to 51% of a company and its subsidiaries principally engaged in the music and entertainment business for the consideration in the range between HK\$25 million to HK\$30 million, and the termination agreement entered into between the Company and Mr. Chu Wai Hung Stephen dated 25 August 2011 to terminate the memorandum of understanding entered into between them on 5 August 2011; and
- (u) the conditional placing agreement entered into between the Company, Mr. Luk Wing Kwong, Quintin and Quest Stockbrokers (HK) Limited dated 4 August 2011 in relation to the placing of a maximum of 86,000,000 new shares at the placing price of HK\$0.10 per placing share. The net proceed was approximately HK\$8.25 million.

11. MISCELLANEOUS

- (a) The registered office and principal place of business of the Company is located at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.
- (b) The compliance officer of the Company is Mr. Au Yeung Yiu Chung. Mr. Au Yeung is also the executive Director of the Company. Mr. Au Yeung graduated from the Hong Kong Polytechnic University with a bachelor of Applied Biology in 2004 and he has more than 7 years experiences in the insurance and securities industries.
- (c) The company secretary of the Company is Mr. Li Chi Chung ("Mr. Li"). Mr. Li is currently a solicitor practicing in Hong Kong and a partner of Michael Li & Co.. Mr. Li obtained a bachelor degree in laws from the University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters.
- (d) The share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The Company's audit committee ("Audit Committee") comprises of three independent non-executive Directors, namely, Mr. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and

internal control procedures of the Group. The background of the members of Audit Committee are set out below:

- (i) Mr. Lau Shu Yan, aged 31, was appointed as an independent non-executive Director and chairman of the audit and remuneration committees and member of the nomination committee on 11 July 2012. Save as disclosed above, Mr. Lau does not hold any other position with the Company or any of its subsidiaries. Mr. Lau graduated from the University of Newcastle in United Kingdom with a bachelor's degree in Accounting and Financial Analysis. He is a Certified Public Accountant (Practising) in Hong Kong, a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lau has over 8 years experience in finance, auditing and accounting fields. Mr. Lau had previously worked in an international accounting firm and he is currently a partner of an audit firm. Save as disclosed above, Mr. Lau did not hold any other directorship in any public listed companies in the last three years.
- (ii) Mr. Chiu Koon Shou, aged 43, was appointed as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 20 April 2012. Save as disclosed above, Mr. Chiu does not hold any other position with the Company or any of its subsidiaries. Mr. Chiu graduated from the London School of Economics and Political Science, London University with a bachelor of Economics. He also holds a master degree of Law from the University College, London University. Mr. Chiu is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of England and Wales. Mr. Chiu is a principal and solicitor of Victor Chiu Tsang & Partners and has substantial experience in insolvency and restructuring (contentious and non-contentious), debt recovery, PRC investments and general commercial work. He is also the member of the Insolvency Law Committee of the Law Society of Hong Kong. Mr. Chiu was an independent non-executive director of Far East Pharmaceutical Technology Limited (now known as United Gene High-Tech Group Limited) from 1 September 2004 to 13 May 2009, a company listed on the Main Board of the Stock Exchange whose subsidiaries are principally engaged in the manufacturing and distribution of pharmaceutical products. A petition was filed on 15 September 2004 to wind up Far East Pharmaceutical Technology Limited in respect of the default of a syndicated bank loan and since then, liquidators have been appointed. Mr. Chiu was not involved in the arrangement of the syndicated bank loan and his appointment was made after the said default had occurred. Save as disclosed above, Mr. Chiu does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

- (iii) Mr. Li Kwok Chu, aged 56, was appointed as an independent non-executive Director, a member of the Audit Committee and the Remuneration Committee on 16 March 2012 and the chairman of the Nomination Committee. Save as disclosed above, Mr. Li does not hold any other position with the Company or any of its subsidiaries. Mr. Li is a chairman and chief executive officer of Pakco Group and has rich experience in administration and management field. Prior to Mr. Li joining Pakco Group, he was the managing director of Pakco Security (HK) Limited. Save as disclosed above, Mr. Li does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.
- (f) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday) at the principal place of business of the Company in Hong Kong at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong from 8 August 2013, the date of this circular up to the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2011 and 2012 ;
- (c) the written consents referred to in the paragraph headed "Experts and Consents" to this Appendix;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;
- (e) the review report of the Disposal Group prepared by Elite Partners CPA Limited, the text of which is set out in Appendix II to this circular;
- (f) the accountants report regarding the unaudited pro-forma financial information of the Remaining Group as set out in Appendix III to this circular;
- (g) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules since 31 December 2012, being the date of the latest published audited accounts of the Company; and
- (h) this circular.



TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of TLT Lottotainment Group Limited (the “Company”) will be held at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Monday, 26 August 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the Disposal (as defined in the circular to the shareholders of the Company dated 8 August 2013, the “Circular”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, by the Company and the exercise of the Put Option (as defined in the Circular), and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed and any one or more of the directors of the Company (the “Directors”) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with, or otherwise in relation to the Disposal and the Put Option and the transactions contemplated thereunder.”

By Order of the Board
TLT Lottotainment Group Limited
Yip Man Yi
Executive Director

Hong Kong, 8 August 2013

Registered Office
Room A, 9th Floor
Fortis Tower
77–79 Gloucester Road
Wanchai
Hong Kong

NOTICE OF EGM

Notes:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 8 August 2013. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (4) In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (5) Any voting at the Meeting shall be taken by poll.

As at the date of this notice, the executive directors of the Company are Mr. Wu Wenbei, Ms. Lin Yan Jenny, Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; the non-executive director of the Company is Mr. Lau Kin Hon; and the independent non-executive directors of the Company are Mr. Lau Shu Yan, Mr. Li Kwok Chu and Mr. Chiu Koon Shou.