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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)**

### **MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE ACQUISITION OF 51% EQUITY INTEREST IN FOUNTAIN CITY HOLDINGS LIMITED**

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules.

#### **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION**

The Board announces that on 15 September 2010 (after trading hours), the Company entered into a non-legally binding MOU with Diwang in relation to the Possible Acquisition. The Earnest Money of HK\$5,000,000 has been paid by the Company pursuant to the MOU. The Target Group is principally engaged in business of entertainment programme production, events organization, tv-series production and operation of an artist training school in the region of the Macau SAR and Southeast Asia.

**The Board wishes to emphasis that no legally binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event the Formal Agreement has been signed.**

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules.

## **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION**

The Board announces that the Company entered into the non-legally binding memorandum of understanding with Diwang in relation to the Possible Acquisition.

Date: 15 September 2010 (after trading hours)

Parties:

- (i) The purchaser: the Company
- (ii) The vendor: Diwang, the legal and beneficial owner of the entire issued share capital of the Target Company, the ultimate beneficial owners of which are Bibi Mariam Maria Cordero, Wong Kwai Ying, Manhao Sou Luis Miguel, Lee Siu Ping Maria and Chan Yik Hong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Diwang and its ultimate beneficial owners are Independent Third Parties.

### **MAJOR TERMS OF THE MOU**

Under the MOU, it is proposed that the Company will acquire the Target Shares from Diwang. Both the Company and Diwang will proceed to the negotiations for a legally binding Formal Agreement which is intended to be entered into by the parties to the MOU on or before 13 December 2010.

#### **Earnest Money**

The Earnest Money of HK\$5,000,000 was paid by the Company to Diwang forthwith upon the signing of the MOU.

In the event that the Formal Agreement is entered into by the parties to the MOU, the Earnest Money shall be treated and formed as deposit upon signing of the Formal Agreement, which will be used to settle part of the consideration of the Possible Acquisition upon completion.

In the event that the Formal Agreement is not entered into by the parties to the MOU on or before 13 December 2010, the Earnest Money shall be refunded to the Company by Diwang without interest within three days from the date on which it is decided that the Formal agreement will not be entered into or 13 December 2010, whichever is earlier.

#### **Consideration**

It is intended by the Company and Diwang that the total consideration payable by the Company to Diwang for the Possible Acquisition shall be HK\$34,500,000, which shall be payable in the following manner:

- (a) HK\$15,000,000 shall be paid in cash; and
- (b) the remaining HK\$19,500,000 shall be settled by allotting and issuing new Shares of the Company to Diwang.

## **Exclusivity**

It is also agreed that Diwang will not and will cause its employees, agents and representatives, the officers of the Target Company and any of its subsidiaries and affiliates not to, at any time during the three-month period commencing from the date of the MOU, solicit, initiate or encourage submission of further proposals or offers from any person for the purchase of the Target Shares.

## **Representations and Warranties and Conditions of the Possible Acquisition**

The Company and Diwang anticipate that the Formal Agreement and any other transaction documents (if any) shall include representations and warranties from each party to the MOU, which are typical to similar transactions, and the following conditions to completion:

- (a) approval from the ultimate shareholders and the board of directors of Diwang for the sale and purchase of the Target Shares are obtained;
- (b) the Company is satisfied with the results of the due diligence reviews on the Target Shares and the Target Group;
- (c) the key management staff namely Madam Bibi Mariam Maria Cordero and Madam Lee Siu Ping Maria of the Target Group have agreed to carry on serving the Target Group for a period of not less than 24 months after completion of the Possible Acquisition on terms and conditions to be approved by the Company;
- (d) approval from the board of directors and shareholders (if necessary) of the Company for the purchase of the Target Shares is obtained; and
- (e) a valuation report prepared by a professional valuer showing the value of the Target Group to be not less than HK\$67,650,000 is obtained.

## **Non-legally Binding Nature**

Except for, among others, the provisions in relation to the Earnest Money, the exclusivity undertaking and the confidentiality obligations in the MOU, the MOU does not constitute the Company and Diwang's legally binding obligation in relation to the Possible Acquisition. If the Possible Acquisition proceeds, the parties to the MOU will enter into the Formal Agreement in which relevant terms and conditions will be further discussed and finalized. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

## **INFORMATION ON THE TARGET GROUP**

The Target Company was incorporated in the British Virgin Islands with limited liability. It owns the entire issued share capital of Santos and Macau Talent, and 25% of the issued share capital of M&M Entertainment. The Target Group is engaged in business of entertainment programme production, events organization, tv-series production and operation of an artist training school in the region of the Macau SAR and Southeast Asia.

## REASONS FOR THE POSSIBLE ACQUISITION

The Group is principally engaged in the provision of lottery-based mobile online game recharge service, sale of sports lottery and travel agent services.

As disclosed in the 2009 annual report of the Company, the Company is actively taking various measures to improve return to the Shareholders. The Directors consider that the Possible Acquisition will further diversify the Group's business and strengthen the income base of the Group in the long run.

## GEM LISTING RULES IMPLICATION

If the Formal Agreement is entered into, it is expected that the Possible Acquisition may constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements as and when appropriate in compliance with the GEM Listing Rules.

## GENERAL

**The Board wishes to emphasize that no legally binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event the Formal Agreement has been signed.**

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on GEM
“Connected Person”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	directors of the Company
“Diwang”	Diwang Limited, a company incorporated in the British Virgin Islands with limited liability
“Earnest Money”	HK\$5,000,000 being a refundable earnest money paid by the Company under the MOU to Diwang for the Possible Acquisition

“Formal Agreement”	the legally binding formal sale and purchase agreement to be entered into between the Company and Diwang in the event that the Company proceeds with the Possible Acquisition
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities of the GEM
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons in accordance with the Listing Rules
“M&M Entertainment”	M&M Entertainment International Company Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 25% of the issued share capital by the Target Company and as to the balance of 75% by an Independent Third Party
“Macau SAR”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Talent”	Macau Talent Academy Limited, a company incorporated in the Macau SAR, which is wholly owned by the Target Company
“MOU”	the non-legally binding memorandum of understanding dated 15 September 2010 and entered into between the Company and Diwang setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of 51% of the issued share capital of the Target Company
“Santos”	Santos Group Entertainment and Advertising Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Target Company
“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Fountain City Holdings Limited, a company incorporated in British Virgin Islands with limited liability, which is wholly owned by Diwang
“Target Group”	The Target Company together with Santos, Macau Talent and M&M Entertainment
“Target Shares”	51% of the issued share capital of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the Board  
**TLT Lottotainment Group Limited**  
**Cheung Man Yau, Timothy**  
*Chief Executive Officer and Executive Director*

Hong Kong, 15 September 2010

*As of the date hereof, the executive directors of the Company are Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Cheng Wing Hong; the independent non-executive directors of the Company are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the company at [www.lottotainment.com.hk](http://www.lottotainment.com.hk).*