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TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER A SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that on 16 February 2011 (after trading hours), the Vendors and the Company entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at a consideration of HK\$41,000,000, of which:

- (i) HK\$2,500,000 was paid by the Company in cash on 10 January 2011 pursuant to the MOU; and
- (ii) HK\$38,500,000 shall be satisfied by the allotment and issue of the Consideration Shares to the Vendors upon Completion.

The Consideration Shares comprising 145,283,018 Shares represent approximately 15.22% of the existing issued share capital of the Company and approximately 13.21% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The Consideration Shares shall be issued pursuant to a Specific Mandate to be sought at the EGM.

As the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition exceed 5% but do not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the entering into of the Option Deeds upon Completion, and (ii) the Specific Mandate.

A circular containing, among other things, details of (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate and (iii) the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

Reference is made to the announcement of the Company dated 10 January 2011 in relation to the entering into the MOU between the Target Company and the Company.

The Board announces that on 16 February 2011 (after trading hours), the Target Company, the Company and the Vendors executed a letter of agreement (the "Letter"), pursuant to which the parties thereto agreed to substitute the MOU by the Letter and confirmed that the Company intended to acquire the entire issued share capital of the Target Company from the Vendors. In the Letter, the Vendors further acknowledged the receipt of the earnest money paid by the Company in amount of HK\$2,500,000 on 10 January 2011 to be part of the Consideration of the Acquisition upon Completion.

The Board further announces that on 16 February 2011 (after trading hours), the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares.

THE ACQUISITION

Date: 16 February 2011

Parties:

Vendors: (1) Tang Tsz Hoo Anthony
(2) Chan Chui Man
(3) Yeung Wai Bo

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

Purchaser: the Company

Subject matter of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing in aggregate the entire issued share capital of the Target Company, free from encumbrance and together with all rights now or hereinafter attached thereto including but not limited to all dividends and distribution declared, paid or made in respect thereof on or after the Completion Date.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group.

The Target Company is an investment holding company wholly-owned by the Vendors and held as to 51% of the shares of Hong Kong Company as at the date of this announcement.

Hong Kong Company has been granted with a non-exclusive licence to adapt Mr. Louis Cha Leung Yung's (查良鏞) novel 天龍八部 (Born to be Hero) for the stage drama to be performed worldwide (excluding Japan) for a period until 31 December 2015.

The Vendors jointly and severally agree and undertake to procure the formation of a PRC Company to be wholly owned by Hong Kong Company.

The Consideration for the Acquisition

The Consideration payable by the Company to the Vendors shall be HK\$41,000,000, of which:

- (i) HK\$2,500,000 was paid by the Company on 10 January 2011; and
- (ii) HK\$38,500,000 shall be satisfied by the allotment and issue of the Consideration Shares to the Vendors upon Completion.

The Consideration has been determined after arm's length negotiation between the Company and the Vendors with reference to, among other things, (i) the Profit Guarantee; and (ii) the prospect of the performance of the stage drama as mentioned in the paragraph headed "Reasons for the Acquisition" below.

The Directors consider the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Profit Guarantee of the Acquisition

Pursuant to the Sale and Purchase Agreement, each of the Vendors guarantee that the Consolidated Net Profit from 1 July 2011 to 30 June 2013 (“**Profit Guarantee Period**”) shall not be less than HK\$25 million (the “**Profit Guarantee**”).

If the Consolidated Net Profit during Profit Guarantee Period is less than HK\$25 million, the Company may, at its sole discretion, (a) demand the Vendors to pay to the Company an amount equivalent to the shortfall in relation to the Consolidated Net Profit but not exceeding HK\$25 million in any event within 3 Business Days after the issue of an audited accounts of the Hong Kong Company for the Profit Guarantee Period; or (b) exercise a Put Option to sell back to the Vendors all the Sale Shares pursuant to the terms and conditions of the Put Option Deed.

In the event that the Put Option lapses and the Company remains the shareholder of the Target Company, a Call Option is granted to the Vendors to purchase from the Company not more than 49% of the shares of the Target Company held by the Company pursuant to the terms and conditions of the Call Option Deed.

Conditions precedent to the Sale and Purchase Agreement

The completion of the Acquisition is conditional upon fulfillment of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM approving the entering into of the Sale and Purchase Agreement by the Company and the transactions contemplated thereunder including the issue of the Consideration Shares and the entering into of the Put Option Deed and Call Option Deed;
- (b) the Company notifying the Vendors in writing that it is satisfied with the due diligence review of the Target Group;
- (c) the warranties given by the Vendors and the Target Company remaining true, accurate and not misleading in any respect;
- (d) entering into of a cooperation agreement (the “Cooperation Agreement”) between the Target Group and 創夢廠(北京)文化發展有限公司 in relation to the marketing, production and performance of stage drama in the PRC;
- (e) entering into of the service agreement between HK Company and Mr. Chin Wing Keung Andy in relation to the engagement of Mr. Chin Wing Keung Andy as the production director of the stage drama for a term of 3 years containing, among other things, non-competition covenants with the Target Group in the form and substance to the satisfaction of the Company;
- (f) the obtaining of the certificate of incumbency and certificate of good standing of the Target Company;

- (g) an legal opinion from a PRC lawyer confirming, among other things, (a) the due incorporation, valid existence and good standing of 創夢廠(北京)文化發展有限公司; (b) the obtaining and maintenance of all licences and permits by 創夢廠(北京)文化發展有限公司 for the operation of the business of organization, production and management of stage drama in the PRC and such licences and permits are in full force and effect; and (c) the validity and enforceability of the Cooperation Agreement (as defined above);
- (h) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares; and
- (i) all necessary consents, approvals and permits (including any waiver in respect of pre-emption rights in respect of the transfer of shares of the Company) required for consummation of the transactions contemplated under this Agreement having been obtained by the Company and not revoked.

If the above conditions have not been fulfilled or waived by the Company on or before 16 May 2011 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall lapse and thereafter neither party to the Sale and Purchase Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

Completion

Completion shall take place on the third Business Day after the fulfillment or waiver of the conditions precedent of the Sale and Purchase Agreement (or such other date as may be agreed between the Vendors and the Company).

Consideration Shares

The issue price of HK\$0.265 per Consideration Share represents:

- (i) a premium of approximately 3.92% over the closing price of the Shares of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.29% over the average closing price of approximately HK\$0.247 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 4.33% over the average closing price of approximately HK\$0.254 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The issue price of HK\$0.265 per Consideration Share was arrived at by the Company and the Vendors after arm's length negotiation and taking into account the prevailing trading prices of the Shares.

Based on the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day, the total value of the Consideration Shares was approximately HK\$37,047,170. The Consideration Shares comprising 145,283,018 Shares represent approximately 15.22% of the existing issued share capital of the Company and approximately 13.21% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares then in issue. There will be no restriction on the subsequent sale of the Consideration Shares.

The Specific Mandate

The Directors will issue and allot the Consideration Shares to the Vendors under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

Listing application

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares to be issued upon Completion.

The Option Deeds

It is a term of the Sale and Purchase Agreement that the Company and the Vendors shall execute the Option Deeds upon Completion. The principal terms of the Option Deeds are summarized below:

(A) Put Option Deed

- | | | |
|------------------------------|---|--|
| Put Option
by the Company | : | An option granted to the Company by the Vendors to sell to the Vendors all (but not part) of the Sale Shares sold and transferred to the Company under the Sale and Purchase Agreement subject to approval by the shareholders of the Company (if required under GEM Listing Rules or other relevant laws and regulations) |
| Put Option Price | : | HK\$49,200,000 (being the sum of the Consideration and an additional amount equal to 20% of the Consideration) |
| Put Option Period | : | The Put Option may be exercised by the Company at any time from the date when an audited accounts for the two years during the Profit Guarantee Period are delivered to the Company until 30 days thereafter |
| Lapse | : | In the event that the Put Option has not been exercised by the Company within the Put Option Period (as defined above) or the Consolidated Net Profit exceeds HK\$25 million, the Put Option shall automatically lapse. |

(B) *Call Option Deed*

Call Option by the Vendors : If the Company has not exercised the Put Option or the Put Option lapses pursuant to the terms and conditions of the Put Option Deed, and subject to approval by the shareholders of the Company (if required under GEM Listing Rules or other relevant laws and regulations), an option granted to the Vendors by the Company that the Vendors may buy from the Company in aggregate not more than 49% of the shares of the Target Company held by the Company as at the date immediately after three months of the expiry of the Profit Guarantee Period

Call Option Price : $\text{Call Option Price} = \text{CNP} \times 9.5 \times Y \times 51\%$

Whereas:

“CNP” means 50% of the Consolidated Net Profit, representing the annualized Consolidated Net Profit, and if the CNP is less than HK\$10 million, the value of HK\$10 million shall be taken; and

“Y” means the ratio of the number of Call Option Shares as stated in the Call Option Notice to the total number of issued shares of the Target Company.

Call Option Period : the 12-month period following the date immediately after three months of the expiry of the Profit Guarantee Period

Lapse : In the event that the Call Option has not been exercised by the Vendors within the Call Option Period (as defined above), the Call Option shall automatically lapse.

Further announcement will be made if the exercise of the Put Option or the Call Option triggers any disclosure requirements under the GEM Listing Rules.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (i) no Shares will be issued and/or repurchased by the Company from the date of this announcement up to Completion; (ii) a total of 145,283,018 Consideration Shares will be issued upon Completion; and (iii) the Convertible Note (Note 3) in full has been converted, the shareholding structure of the Company as at the date of this announcement and immediately after the issue and allotment of the Consideration Shares is as follows:

	Existing Shareholding	%	Shareholding immediately after the issue and allotment of the Consideration Shares	%	Shareholding immediately after the issue and allotment of the Consideration Shares and conversion of the Convertible Note in full (Note 3)	%
Directors/Substantial Shareholders						
Luk Wing Kwong, Quintin Shiny Galaxy Enterprises Limited (Note 1)	107,306,000	11.24	107,306,000	9.76	107,306,000	8.17
Chan Kin Yip	350,000	0.04	350,000	0.03	350,000	0.03
	1,000,000	0.10	1,000,000	0.09	1,000,000	0.08
The Public						
PN Holder (Note 3)	3,796,000	0.40	3,796,000	0.35	218,081,714	16.59
The Vendors	0.00	0.00	145,283,018	13.21	145,283,018	11.05
Public Shareholders	841,972,242	88.22	841,972,242	76.56	841,972,242	64.08
Total	954,424,242	100.00	1,099,707,260	100.00	1,313,992,974	100.00

Notes:

1. Shiny Galaxy Enterprises Limited is beneficially owned as to 100% by Mr. Wong Wai Sing, the chairman and executive Director.
2. Mr. Chan Kin Yip is an executive Director.
3. For details of the Convertible Note and PN Holder, please refer to the announcement of the Company dated 15 February 2011.

INFORMATION ON THE TARGET GROUP

Structure

The Target Company is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the date of this announcement, the Vendors own in aggregate the entire issued share capital of the Target Company. Save for holding 51% of the issued share capital of Hong Kong Company, the Target Company does not hold any other investments as at the date of this announcement.

Hong Kong Company is incorporated in Hong Kong with limited liability. As at the date of this announcement, the Target Company owns 51% of the issued share capital of Hong Kong Company whereas the remaining 49% of the issued share capital of Hong Kong Company are owned by Chan Chui Man (26.95%) and Yeung Wai Bo (22.05%) respectively. As at the date of this announcement, Hong Kong Company does not hold any investment.

The Vendors agree to procure the formation of a PRC Company which will be wholly owned by Hong Kong Company and served as the operating subsidiary of the Target Group in the PRC.

The Target Company will become a wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group upon Completion.

Financial Information

The principal activity and asset of the Target Company is the holding of the 51% issued share capital of Hong Kong Company.

Hong Kong Company has not commenced business activity save and except for the development works on the stage drama. According to the unaudited management accounts, its loss before and after taxation for the period from 20 August 2010 (date of incorporation) to 31 December 2010 was HK\$10,000 and its net asset value as at 31 December 2010 was HK\$2,500 (net liabilities).

Business

The business of the Target Group will be 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 non-exclusive licence granted to Hong Kong Company by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-yung 金庸) for adaption of the novel as stage play to be performed worldwide (excluding Japan) for a period until 31 December 2015.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of lottery-based mobile online game recharge service, internet e-gaming, rendering of travel agent services, entertainment programme production, events organization, tv-series production and operation of an artist training school in the region of Macau and Southeast Asia.

REASONS FOR THE ACQUISITION

With the huge potential market in the entertainment business in the PRC and other Asian region, the Company would like to seize this opportunity to develop the business in relation to Chinese stage drama worldwide. The Company believes that the debut of the stage play adapted from the famous Chinese novel “Born to be Hero” (天龍八部) will be a milestone for the Group to its development and participation in the fast growing entertainment market in the PRC and other Asian region.

In view of the above, the Profit Guarantee and the Put Option provided by the Vendors, the Directors consider that the Acquisition provides an excellent opportunity for the development of future business of the Group and broadens its revenue base.

Taking into account the benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition exceed 5% but do not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. The Consideration Shares shall be issued pursuant to a Specific Mandate to be sought at the EGM.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the entering into of the Option Deeds upon Completion, and (ii) the Specific Mandate.

A circular containing, among other things, details of (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate and (iii) the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business
“Call Option”	the right of the Vendors to buy from the Company up to 49% of the shares of the Target Company held by the Company as at the date of exercise of the Call Option subject to the terms and conditions of the Call Option Deed
“Call Option Deed”	the deed to be entered into between the Company and the Vendors upon Completion in relation to the grant of the Call Option to the Vendors
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the GEM
“Completion”	the completion of the Sale and Purchase Agreement in accordance with the terms thereof
“Completion Date”	the third Business Day after the fulfillment or waiver of the conditions precedent of the Sale and Purchase Agreement (or such other date as may be agreed between the Vendors and the Company)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$41,000,000, the consideration for the Acquisition
“Consideration Share(s)”	145,283,018 new Shares to be allotted and issued to the Vendors by the Company on Completion as part of the consideration of the Acquisition
“Consolidated Net Profit”	the consolidated net profit after tax and extraordinary items of Hong Kong Company and its subsidiaries, if any, during the Profit Guarantee Period
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares under the Specific Mandate and the entering into of the Option Deeds upon Completion
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Creative Works Limited, a company incorporated in Hong Kong with limited liability on 20 August 2010, is non-wholly owned by the Target Company as to 51% of its share capital and the remaining 49% of shares of Hong Kong Company are owned by Chan Chui Man and Yeung Wai Bo respectively
“Last Trading Day”	16 February 2011, being the last day on which the Shares were traded on the Stock Exchange prior to publication of this announcement
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“MOU”	a memorandum of understanding entered into between the Target Company and the Company dated 10 January 2011 (as modified and amended by the Letter (as defined above))
“Option Deeds”	the Put Option Deed and the Call Option Deed
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“PRC Company”	a wholly foreign owned enterprise to be established in the PRC and wholly owned by Hong Kong Company, which will be served as an operating subsidiary of the Target Group in the PRC
“Put Option”	the right of the Company to sell all the Sale Shares to the Vendors pursuant to the terms and conditions of the Put Option Deed
“Put Option Deed”	the deed to be entered into between the Company and the Vendors upon Completion in relation to the grant of the Put Option to the Company
“Sale Shares”	1,000 shares of US\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Sale and Purchase Agreement”	the conditional agreement dated 16 February 2011 entered into between the Company and the Vendors in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to cover the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dragon Gain Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendors as at the date of this announcement
“Target Group”	the Target Company, Hong Kong Company and PRC Company
“Vendors”	Tang Tsz Hoo Anthony, Chan Chui Man and Yeung Wai Bo
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%” or “per cent”	percentage

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

Hong Kong, 16 February 2011

As of the date hereof, the executive Directors are Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Lai Chun Hung; while the independent non-executive Directors 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 or deceptive; and (2) there are no other matters the omission of which would make any statement herein and this announcement misleading or deceptive.

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 <http://www.lottotainment.com.hk>.