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

If you have sold or transferred all your shares in TLT Lottotainment Group Limited you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the 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(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of the Company.

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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 notice convening an extraordinary general meeting (“EGM”) of the Company to be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Tuesday, 12 April 2011 at 11:00 a.m. is set out on pages 20 to 21 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the EGM is enclosed with this circular. Whether you are able to attend or not, please complete and return the enclosed form of proxy to the share registrar of the Company, 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 the holding of the EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person or any adjournment thereof in person.

This circular will remain on the “Latest Company Announcement” page of the GEM website at 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>.

25 March 2011

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM")
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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, the following expressions have the following meanings 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
“Announcement”	the announcement of the Company dated 16 February 2011 in respect of 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
“Chuangmeng”	創夢廠(北京)文化發展有限公司 (Chuangmeng Chang (Beijing) Cultural Development Co., Ltd.), its application for formation as a domestic company in the PRC being under processing by relevant PRC government authorities To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of Chuangmeng and its ultimate beneficial owner is a third party independent of the Vendors and the Company or any of their respective connected persons
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the GEM

DEFINITIONS

“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
“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
“Cooperation Agreement”	a cooperation agreement to be entered between the Target Group and Chuangmeng before Completion with respect to the services to be provided by Chuangmeng to the Target Group in relation to marketing, production and performance of stage drama in the PRC
“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 People’s Republic of China

DEFINITIONS

“Hong Kong Company”	Creative Works Limited 創意文化有限公司, 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 (26.95%) and Yeung Wai Bo (22.05%) respectively
“Latest Practicable Date”	21 March 2011, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Last Trading Day”	16 February 2011, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the 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 a letter of agreement entered into between the Vendors, the Target Company and the Company on 16 February 2011)
“Option Deeds”	the Put Option Deed and the Call Option Deed
“PRC”	the People’s Republic of China, for the purpose of this circular, 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

DEFINITIONS

“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 (as supplemented by the Supplemental Agreement)
“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
“Supplemental Agreement”	a supplemental agreement dated 22 February 2011 made between the Vendors and Company to supplement certain terms and conditions of the Sale and Purchase Agreement in relation to the Call Option
“Target Company”	Dragon Gain Worldwide Limited 龍盈國際有限公司, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendors as at the Latest Practicable Date
“Target Group”	the Target Company, Hong Kong Company and PRC Company
“Vendors”	Tang Tsz Hoo Anthony, Chan Chui Man and Yeung Wai Bo, who as at the Latest Practicable Date held 70%, 16.5% and 13.5% of the issued share capital in the Target Company, respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent”	percentage

In this circular, the English names of the PRC entities or titles are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.



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. Wong Wai Sing (*Chairman*)
Mr. Cheung Man Yau, Timothy
(Chief Executive Officer)
Mr. Chan Kin Yip
Mr. Lai Chun Hung

Registered Office:

Room A, 9th Floor
Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

25 March 2011

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER A SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement and the announcements of the Company dated 10 January 2011 and 22 February 2011, respectively.

On 16 February 2011, 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 comprising (i) HK\$2,500,000 in cash and (ii) HK\$38,500,000 by the allotment and issue of the Consideration Shares to the Vendors upon Completion.

On 22 February 2011, the Vendors and the Company further entered into the Supplemental Agreement to supplement the terms and conditions of the Sale and Purchase Agreement in relation to the Call Option, which provides that the Call Option Price shall not exceed HK\$55 million.

LETTER FROM THE BOARD

The Company will seek the Specific Mandate from the Shareholders at the EGM for the issue and allotment of the Consideration Shares.

The purpose of this circular is to provide the Shareholders with further details of, among other things, (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate; and (iii) the notice of the EGM.

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 as at the Latest Practicable Date held 51% of the issued shares of Hong Kong Company.

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.

LETTER FROM THE BOARD

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 was determined after arm's length negotiation between the Company and the Vendors on the basis of the annualized Profit Guarantee for the two years multiplied by a price-to-earning ratio of 6.4 with reference to, among other things, (i) the prevailing market price-to-earning multiples of companies with similar business to that of the Target Group ("Comparable Companies"); and (ii) the prospect of the performance of the stage drama as mentioned in the paragraph headed "Reasons for the Acquisition" below.

The list of Comparable Companies, all of which are companies listed either in Hong Kong or the PRC, engaging in entertainment industry, ranging from program production, performing, management and entertainment network providers with a focus in the PRC market is presented in the table below:

Company name	Place of listing	Stock Code	Price-to-earning multiple
eSun Holdings Limited	Hong Kong	571	32.55
Mei Ah Entertainment Group Limited	Hong Kong	391	13.91
Orange Sky Golden Harvest Entertainment (Holdings) Limited	Hong Kong	1132	9.62
SMI Corporation Limited	Hong Kong	198	20.31
China Star Entertainment Limited	Hong Kong	326	0.24
Zhejiang Huace Film and TV Co., Ltd. 浙江華策影視股份有限公司	PRC	300133	50.89
Huayi Brothers Media Corporation 華誼兄弟傳媒股份有限公司	PRC	300027	80.73

LETTER FROM THE BOARD

The Company considers that the price-to-earning ratio of 6.4 times is fair and reasonable after taking into account of the Profit Guarantee and the following reasons:

- (a) Though the Target Company has no track record in the business of stage drama, the licence of adaptation of the famous novel of “Born to be Hero” into stage drama granted by the world famous author Mr. Louis Cha Leung Yung is believed to create great value from business point of view.
- (b) The entering into of the service contract with Mr. Chin Wing Keung as production director who will also bring the required expertise and experience in monitoring, operating and managing the whole project. Mr. Chin is a famous film director in the region and had directed the movie adapted from the novel “Born to be Hero” few years ago.
- (c) Since the Chinese stage drama or musicals industry is believed to be in the initial stage of development, such company with limited track record is presumed. Having considered the reasons (a) and (b) above, the Company is confident that the launch of the stage drama “Born to be Hero” in the PRC may capture substantial market share of the industry and the Company’s mission as the market leader in the industry may bring tremendous prospect to the Company.
- (d) The average price-to-earning ratios (excluding the lowest and highest ones on the above list) for the rest of the five Comparable Companies is 25.46 times. The nature of business of the Comparable Companies is similar but not exactly the same and the business of Chinese stage drama or musicals is at its initial stage of development. Having considered the above discounting factors, the Company considers that a price-to-earning ratio of 6.4 times of the Acquisition representing a discount of about 75% of that of the Comparable Companies is fair and reasonable.

The Directors consider that 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 guarantees 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**”) which represents the net attributable profit of the Target Group after deduction of all profit shared by Chuangmeng. The amount of the Profit Guarantee was offered by the Vendors at the time of negotiation of the Acquisition, which is based on the Vendors’ experience in stage drama business in the PRC and the prevailing flourishing market in the PRC. Further, the cost of the Acquisition could be protected by the Profit Guarantee in the following ways:

- (a) If the Profit Guarantee of HK\$25 million is satisfied after the launch of the stage drama in the PRC, it is reasonable to believe that the stage drama of Born

LETTER FROM THE BOARD

to be Hero will be popular in the PRC and its performance in other cities of the PRC after the Profit Guarantee Period will also be profitable. Besides, it is the Company's future plan to launch the stage drama in Macau where the entertainment industry is prosperous, and in other Asian regions, including but not limited to Hong Kong, Singapore, Malaysia etc. thereafter. If such plan is successfully carried out, it is confident that the business of the Target Group could be operated at least the same level of profitability as that during the Profit Guarantee Period; and

- (b) If the Profit Guarantee of HK\$25 million is not satisfied during the Profit Guarantee Period and the Company considers that the business or prospect of the Target Group is far from satisfactory by that time, the Company may exercise the Put Option which is granted by the Vendors pursuant to the Sale and Purchase Agreement. In this case, the cost of Acquisition is also secured as the Put Option Price (as referred to in the section headed "The Option Deeds" below) pursuant to the Sale and Purchase Agreement is equivalent to 120% of the Consideration.

Having considered the above factors and after arm's length negotiation between the Vendors and the Company, the Board is of the view that the amount of the Profit Guarantee is fair and reasonable.

If the Consolidated Net Profit during Profit Guarantee Period is less than HK\$25 million (inclusive of a loss), 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, at the Vendors' discretion, of 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;

LETTER FROM THE BOARD

- (c) the warranties given by the Vendors and the Target Company remaining true, accurate and not misleading in any respect;
- (d) entering into of the Cooperation Agreement between the Target Group and Chuangmeng in relation to the marketing, production and performance of stage drama in the PRC;
- (e) entering into of the service agreement between Hong Kong 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 the certificate of good standing of the Target Company;
- (g) a legal opinion from a PRC lawyer confirming, among other things, (a) the due incorporation, valid existence and good standing of Chuangmeng; (b) the obtaining and maintenance of all licences and permits by Chuangmeng 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;
- (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 Target Company) required for consummation of the transactions contemplated under the Sale and Purchase 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.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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).

LETTER FROM THE BOARD

Upon Completion, the Vendors or any of their associates will not be appointed as the Directors of the Company and the Company has no intention to change the board composition upon Completion.

Consideration Shares

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

- (i) a premium of approximately 8.16% over the closing price of the Shares of HK\$0.245 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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
- (iv) 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.

LETTER FROM THE BOARD

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 (as supplemented by the Supplemental 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 to the Company | : | An option granted to the Company by the Vendors whereby the Company is entitled to exercise its right at its sole discretion 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 (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. |

LETTER FROM THE BOARD

(B) *Call Option Deed*

Call Option to 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 (if required under GEM Listing Rules or other relevant laws and regulations), an option granted to the Vendors by the Company whereby the Vendors are entitled to exercise their right at their discretion to purchase 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;

9.5 represents the price-to-earning ratio of the Target Company, which is a premium of approximately 50% over the original price-to-earning ratio of 6.4 (Note); 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.

The Call Option Price shall not exceed HK\$55 million and in the event that the Call Option Price exceeds HK\$55 million or the exercise of the Call Option triggers any requirement under the GEM Listing Rules, the Vendors shall not exercise the Call Option unless and until the Company has complied with all the relevant GEM Listing Rules in relation to the reporting, publication and shareholders’ approval requirement (if required) at the time of exercising the Call Option.

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.

Note: The price-to-earning multiple of 9.5 is the result of final negotiation with the Vendors. The basis of determining the price-to-earning multiple under the Call Option is to secure a reasonable return to the Company should the Vendors exercise the Call Option. A premium of about 50% over the original price-to-earning multiple is considered to be a satisfactory return from the Company’s interest.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (i) no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to Completion; (ii) a total of 145,283,018 Consideration Shares will be issued upon Completion; and (iii) the Convertible Note (Note 4) in full has been converted, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue and allotment of the Consideration Shares is as follows:

	Shareholding as at the Latest Practicable Date		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 4)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors/Substantial Shareholders/Connected Person						
Luk Wing Kwong, Quintin	107,306,000	11.24	107,306,000	9.76	107,306,000	8.17
Shiny Galaxy Enterprises Limited (Note 1)	350,000	0.04	350,000	0.03	350,000	0.03
Chan Kin Yip (Note 2)	1,000,000	0.10	1,000,000	0.09	1,000,000	0.08
PN Holder (Note 4)	3,796,000	0.40	3,796,000	0.35	218,081,714	16.59
The Public						
The Vendors (Note 3)	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

Note:

- Shiny Galaxy Enterprises Limited is beneficially owned as to 100% by Mr. Wong Wai Sing, the chairman and executive Director.
- Mr. Chan Kin Yip is an executive Director.
- Upon the issue of the Consideration Shares, Tang Tsz Hoo Anthony, Chan Chui Man and Yeung Wai Bo will hold 101,698,113, 23,971,698 and 19,613,207 Shares in the Company, respectively.
- The terms Convertible Note and PN Holder have the meaning as defined in the announcement of the Company dated 15 February 2011. PN Holder is a third party independent of the Vendors. For details, please refer to the said announcement. Given the specific conversion restriction in the terms of the Conversion Notes, the shareholding set out above is for illustration purpose only.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date.

Hong Kong Company is incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, 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 Latest Practicable Date, 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 (i.e. the 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 organisation, production and management of stage drama worldwide including the performance of the stage drama adapted from 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 drama to be performed worldwide (excluding Japan) for a period until 31 December 2015.

LETTER FROM THE BOARD

To the best of the knowledge of the Directors, the Target Group does not possess any permit or licence to produce, operate and perform stage drama activities in the PRC, and it is unlikely that the Target Company is eligible for performance permit (營業性演出許可証) granted by Beijing Municipal Bureau of Culture (北京市文化局). Under the relevant PRC laws and regulations, to qualify for the application, an enterprise should have at least three licensed personnels in the management of that enterprise who are registered with the China Association of Performing Arts (中國演出家協會) and China Association of Performing Arts is an authorised organisation registered under Ministry of Civil Affairs of the PRC, which is responsible for governing the discipline of cultural activities organisation and the performance providers in the PRC. As represented by the Vendors and to the best of the knowledge of the Directors, Chuangmeng is qualified to apply for the relevant licence and permit to produce, operate and perform stage drama activities in the PRC.

As at the Latest Practicable Date, the application of formation of Chuangmeng is still under processing by the relevant government authorities. The business scope of the Chuangmeng includes the organisation of cultural activities, corporate image branding, photography service, advertisement design and production, agency and distribution service, exhibition activities, landscape design and consultancy service. Once Chuangmeng has been duly formed and has been granted with the business licence, it will then apply to Beijing Municipal Bureau of Culture for such performance permit to authorise Chuangmeng for the production, operation and performance of “Born to be Hero” drama business in the PRC. The Company believes that the cooperation with Chuangmeng will enable the Target Group to operate drama business in the PRC through such permit to be obtained by Chuangmeng.

Aside from the permit mentioned above, the owner of Chuangmeng was educated in performing arts at a college in Beijing and has been working in cultural sector since her graduation. To leverage on Chuangmeng’s expertise in stage drama production and its network in the entertainment business in the PRC, the Target Group will enter into the Cooperation Agreement with Chuangmeng before Completion to provide their services to the Target Group in the PRC including but not limited to (i) obtaining all the relevant licence and permit including business licence, performance permit necessary for production and performance of stage drama in the PRC, (ii) organisation, production, marketing, ticketing, performance, management of stage drama of Born to be Hero (天龍八部) in the PRC, (iii) hiring of relevant artists, workers and officers for the stage drama in the PRC; (iv) preparing budget and financial statements of the stage drama for the Target Group’s approval; and (v) handling all public affairs including liaising with relevant government authorities, media and business associates. In return, Chuangmeng will be remunerated from the share of net profit from the cooperation subject to further negotiation between the Target Group and Chuangmeng.

In addition to the cooperation with Chuangmeng, through the acquisition of 51% equity interest in Fountain City Holdings Limited in October 2010, the Group has its own team of artists and experts in the entertainment industry, which could monitor, control and operate the business of the Target Company. The team of experts of the Target Group is further strengthened by the appointment of Mr. Chin Wing Keung Andy, a famous and well-experienced film director, as the production director of the Target Group for three years. In view of the above, the Company is fully confident that the Target Group will have its expertise and experience in operating stage drama in the PRC and other Asian region.

LETTER FROM THE BOARD

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 organisation, 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.

In particular, the market of Chinese stage drama is not well developed in Hong Kong, Macau and in particular the PRC as compared to the world famous Broadway musicals. With the authorisation by Mr. Louis Cha Leung Yung for adaptation of the famous novel of “Born to be Hero” to stage drama and the appointment of the famous and well experience of Mr. Chin Wing Keung Andy as production director, the Company believes that the Acquisition provides a golden opportunity to develop and exploit the stage drama business. The Company believes that the debut of the stage drama 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 particular, Macau, and the Target Group will become the market leader in the Chinese stage drama industry.

In addition, with the existing business relationship and foundation of the Company in Macau, it is also optimistic to penetrate into the entertainment market in Macau which is currently proved to be a rewarding business.

The Board also believes that the Company will be further benefitted from the Acquisition by creation of synergy effect on the Group’s business. For instance, the Target Company may provide more performing opportunities for artist agency business, artist training school etc. which are currently conducted by the Group; the Company’s subsidiary in Macau may help to penetrate the stage drama into the prosperous entertainment market of Macau; and the Group may develop further business model, if any, among its existing expertise.

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 of 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.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 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, and 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.

In addition, as the applicable percentage ratios as defined in the GEM Listing Rules for each of the Put Option and Call Option are more than 5% but less than 25%, the exercise of the Put Option or the Call Option constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In the event that the Put Option or the Call Option shall lapse and/or be exercised or there is any variation to the terms and price of the Put Option or the Call Option, further announcement will be made pursuant to the GEM Listing Rules, and the Company will comply with any applicable requirements under the GEM Listing Rules.

EGM

The EGM will be convened on Tuesday, 12 April 2011 at 11:00 a.m. at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the issue of Consideration Shares under Specific Mandate and the Option Deeds.

The notice of the EGM is set out on pages 20 to 21 of this circular.

Proxy form for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete and return the enclosed proxy forms in accordance with the instructions printed thereon as soon as possible to the share registrar of the Company, 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 as soon as possible in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. 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 should you so wish.

Pursuant to Rule 17.47 of the GEM Listing Rules, all votes of the Shareholders at the general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM.

To the best of the Directors' knowledge, information and belief, and having made reasonable enquiries, no Director or Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at the EGM.

LETTER FROM THE BOARD

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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

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



TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 8022)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of TLT Lottotainment Group Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 12 April 2011 at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional sale and purchase agreement dated 16 February 2011 (as supplemented by a supplemental agreement dated 22 February 2011) (the “**Sale and Purchase Agreement**”) (a copy of which has been produced to the Meeting marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) entered into between Tang Tsz Hoo Anthony, Chan Chui Man and Yeung Wai Bo (collectively, the “**Vendors**”) as vendors and the Company as purchaser in relation to the acquisition (the “**Acquisition**”) of the entire issued share capital of Dragon Gain Worldwide Limited, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the allotment and issue of an aggregate of 145,283,018 new shares (“**Consideration Shares**”) of HK\$0.01 par value each in the capital of the Company at an issue price of HK\$0.265 per Consideration Share to the Vendors, or their respective nominees in accordance with the terms and conditions of the Sale and Purchase Agreement be and is hereby approved and the Consideration Shares shall, when allotted and issued, rank pari passu in all respects with the existing shares of the Company in issue at the date of allotment of such new shares and further that the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Consideration Shares, credited as fully paid, pursuant to the Sale and Purchase Agreement and the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the terms of, and the transactions contemplated under a conditional put option deed (the “**Put Option Deed**”) in respect of the grant to the Company by the Vendors an option to sell all the Sale Shares to the Vendors pursuant to the terms and conditions of the Put Option Deed and a conditional call option deed (the “**Call Option Deed**”) in respect of the grant to the Vendors by the Company an option to purchase from the Company of not more than 49% of shares in the Dragon Gain Worldwide Limited held by the Company pursuant to the terms and conditions of the Call Option Deed to be entered into between the Vendors and the Company at the completion of the Acquisition (an engrossed copy of the Put Option Deed and the Call Option Deed have been produced to the Meeting marked “B” and “C”, respectively and initialled by the Chairman of the Meeting for the purpose of identification); and
- (d) each of the Directors be and is hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as they may consider necessary, appropriate, desirable or expedient for implementation of or giving effect to the Sale and Purchase Agreement and all the transactions contemplated thereunder including but not limited to the issue and allotment of the Consideration Shares, and the Put Option Deed and the Call Option Deed, and all the matters incidental thereto or in connection therewith.”

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

Hong Kong, 25 March 2011

Registered Office:

Room A, 9th Floor
Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. 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. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with 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, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting (or the adjourned meeting, as the case may be).