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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**(I) PROPOSED OPEN OFFER OF
NOT LESS THAN 140,034,226 OFFER SHARES
AND
NOT MORE THAN 177,571,784 OFFER SHARES AT HK\$0.50 PER OFFER SHARE
ON THE BASIS OF TWO OFFER SHARES FOR
EVERY THREE SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES
IN THE PROPORTION OF THREE BONUS SHARES
FOR EVERY TWO OFFER SHARES TAKEN UP UNDER THE OPEN OFFER);
(II) AMENDMENTS TO ARTICLES OF ASSOCIATION;
(III) PROPOSED RE-ELECTION OF DIRECTORS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

AmCap
Ample Capital Limited
豐盛融資有限公司

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

A letter of advice from the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 43 to 62 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 41 and 42 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate the obligations of the Underwriters thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 9 and 10 of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Open Offer will not proceed.

A notice convening the EGM to be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on 13 November 2013 is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Ltd, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

18 October 2013

CHARACTERISTICS OF GEM

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Characteristics of GEM	i
Definitions	1
Expected Timetable	6
Termination of the Underwriting Agreement	9
Summary of the Open Offer	11
Letter from the Board	12
Letter from the Independent Board Committee	41
Letter from Independent Financial Adviser	43
Appendix I – Financial Information of the Group	I-1
Appendix II – Unaudited pro forma financial information	II-1
Appendix III – Details of Directors proposed to be re-elected at the EGM	III-1
Appendix IV – General Information	IV-1
Notice of EGM	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 August 2013 in relation to, among other matters, the Open Offer with Bonus Issue and the Proposed Amendments
“Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares
“Articles”	the articles of association of the Company, as amend from time to time
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
“Bonus Shares”	the bonus Shares to be issued (for no additional payment) to the first registered holders of Offer Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer subject to the terms and conditions as set out in the Underwriting Agreement
“Business Day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the GEM
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder”	has the same meaning ascribed to it in the GEM Listing Rules

DEFINITIONS

“Conversion Shares”	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Note(s)”	the 2% coupon convertible note(s) due in 2014 with an outstanding principal amount of HK\$28,080,000 conferring rights to convert into a total of 56,160,000 Conversion Shares at conversion price of HK\$0.50 per Share (subject to adjustment)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on or about Wednesday, 13 November 2013 to consider and, if thought fit, approve, among other matters, the Open Offer with Bonus Issue, the Proposed Amendments and the transactions contemplated thereunder
“Existing Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising four independent non-executive Directors, namely Mr. Lau Shu Yan, Mr. Chiu Koon Shou, Mr. Li Kwok Chu and Ms. Lam Yuk Ying, Elsa, established to advise the Independent Shareholders regarding to the Open Offer with Bonus Issue
“Independent Financial Adviser”	Ample Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer with Bonus Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and advise the Independent Shareholders as to how to vote at the EGM

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Last Trading Day”	23 August 2013, being the last day of dealing of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Lodging Date”	being 4:30 p.m. on Monday, 18 November 2013 or such other date and/or time as Underwriter A on behalf of the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares and/or exercising the Share Options and Convertible Notes in order to qualify for the Open Offer
“Latest Practicable Date”	17 October 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 11 December 2013 or such later time or date as may be agreed between the Company and Underwriter A on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	12:00 noon on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Underwriter A on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Loan Facility”	the loan facility of HK\$32 million with interest accrued which will fall due on 31 December 2013 or the completion of the Open Offer, whichever is earlier (details of which have been disclosed in the announcements of the Company dated 27 May 2013, 26 August 2013, 2 September 2013 and 30 September 2013)

DEFINITIONS

“Mr. Chan”	Mr. Chan Wing Chiu, the holder of the Convertible Notes and an Independent Third Party
“Offer Share(s)”	not less than 140,034,226 new Shares and not more than 177,571,784 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	the People’s Republic of China which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prohibited Shareholders”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Proposed Amendments”	The proposed amendments to the Articles
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer with Bonus Issue
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Wednesday, 27 November 2013 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	Tuesday, 26 November 2013 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer

DEFINITIONS

“SFC”	The Securities and Futures Commission in Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the 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 Shares
“Share Option Scheme”	the old share option scheme adopted by the Company and became effective on 30 July 2001, amended on 2 December 2008 and terminated on 9 May 2011
“Share Options”	options to subscribe for Shares granted under the Share Option Schemes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.50 per Offer Share
“Underwriter A”	China Times Securities Limited, a licensed corporation to carry on type 1 (Dealing in Securities) regulated activity under the SFO
“Underwriter B”	Metro Capital Securities Limited, a licensed corporation to carry on type 1 (Dealing in Securities) regulated activity under the SFO
“Underwriters”	Underwriter A and Underwriter B
“Underwriting Agreement”	the underwriting agreement (as amended by a supplemental agreement dated 12 September 2013) entered into among the Company and the Underwriters dated 23 August 2013 in relation to the Open Offer with Bonus Issue
“Underwritten Shares”	not less than 140,034,226 Offer Shares (with not less than 210,051,339 Bonus Shares) and not more than 177,571,784 Offer Shares (with not more than 266,357,676 Bonus Shares), being all Offer Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Per cent.

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and has been prepared on the assumption that the Open Offer will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2013

Latest time for Lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 6 November
Register of members close (both days inclusive)	Thursday, 7 November to Wednesday, 13 November
Despatch of the third quarterly results announcement for the nine months ended 30 September 2013	Monday, 11 November
Latest time and date for return of proxy form of EGM (not less than 48 hours prior to time of EGM)	11:00 a.m. on Monday, 11 November
Record date for attendance and voting of the EGM	Wednesday, 13 November
Time and date of EGM	11:00 a.m. on Wednesday, 13 November
Announcement of results of EGM	Wednesday, 13 November
Last day of dealings in Shares on a cum-entitlement basis	Thursday, 14 November
First day of dealings in Shares on an ex-entitlement basis	Friday, 15 November
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer	4:30 p.m. on Monday, 18 November
Register of members of the Company closed (both dates inclusive)	Tuesday, 19 November to Tuesday, 26 November
Record Date	Tuesday, 26 November
Register of members re-opens	Wednesday, 27 November
Despatch of the Prospectus Documents	Wednesday, 27 November
Latest time for acceptance of, and payment for, the Offer Shares	4:00 p.m. on Wednesday, 11 December

EXPECTED TIMETABLE

2013

Latest Time for Termination 12:00 noon on Friday,
13 December

Announcement of results of the Open Offer to be
published on the GEM's website Wednesday, 18 December

Despatch of share certificates for Offer Shares
and Bonus Shares Thursday, 19 December

Despatch Date of refund cheques
(if Open Offer is terminated) Thursday, 19 December

Expected first day of dealings in fully-paid
Offer Shares and Bonus Shares Friday, 20 December

Designated broker starts to stand in the market to
provide matching services for odd lot of Shares Friday, 20 December

2014

Last day for the designated broker to stand in the market
to provide matching services for odd lot of Shares Tuesday, 14 January

Note: All references to time in this circular are references to Hong Kong time.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if there is a tropical cyclone warning signal no. 8 or above, or a 'black' rainstorm warning:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 11 December 2013. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same business day;
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 11 December 2013. Instead the Latest Time of Acceptance will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Wednesday, 11 December 2013, the dates mentioned in the 'Expected timetable' section may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of Underwriter A on behalf of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Underwriter A on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Underwriter A on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Underwriter A on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Underwriter A on behalf of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Underwriter A on behalf of the Underwriters, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, the circular, proxy form, notice of EGM, the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Underwriter A on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriters terminate the Underwriting Agreement, the Open Offer will not proceed.

SUMMARY OF THE OPEN OFFER

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Basis of the Open Offer:	Two (2) Offer Shares for every three (3) Shares held on the Record Date and payable in full on acceptance, together with three (3) Bonus Shares for every two (2) Offer Shares taken up
Number of Shares in issue:	210,051,339 Shares as at the Latest Practicable Date
Number of Offer Shares:	Not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares The aggregate nominal value of the Offer Shares will be not less than HK\$70,017,113.00 and not more than HK\$88,785,892.00
Number of Bonus Shares:	Not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer The aggregate nominal value of the Bonus Shares will be not less than HK\$105,025,669.50 and not more than HK\$133,178,838.00
Subscription Price:	HK\$0.50 per Offer Share payable in full on application

LETTER FROM THE BOARD



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
Mr. Wong Chun Hung
Mr. Chan Yun Fai
Mr. Au Yeung Yiu Chung

Registered Office:

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

Independent non-executive Directors:

Mr. Lau Shu Yan
Mr. Li Kwok Chu
Mr. Chiu Koon Shou
Ms. Lam Yuk Ying, Elsa

*Head office and principal place of
business in Hong Kong:*

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

18 October 2013

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER OF
NOT LESS THAN 140,034,226 OFFER SHARES
AND
NOT MORE THAN 177,571,784 OFFER SHARES AT HK\$0.50 PER OFFER SHARE
ON THE BASIS OF TWO OFFER SHARES FOR
EVERY THREE SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES
IN THE PROPORTION OF THREE BONUS SHARES
FOR EVERY TWO OFFER SHARES TAKEN UP UNDER THE OPEN OFFER);
(II) AMENDMENTS TO ARTICLES OF ASSOCIATION;
(III) PROPOSED RE-ELECTION OF DIRECTORS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 23 August 2013 in relation to, among other matters, the Open Offer with Bonus Issue and the Proposed Amendments.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer. Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with further details regarding the (i) Open Offer with Bonus Issue and the Proposed Amendments, including, amongst others, a letter from the Independent Board Committee to the Independent Shareholders setting out their advice in relation to the Open Offer (including the absence of excess application arrangement under the Open Offer); a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer; (ii) the re-election of Directors; and (iii) a notice convening the EGM.

PROPOSED OPEN OFFER

The Board proposes to raise not less than approximately HK\$70 million before expenses by issuing not less than 140,034,226 Offer Shares and not more than 177,571,784 at the Subscription Price of HK\$0.50 per Offer Share on the basis of two (2) Offer Shares for every three (3) Shares held on the Record Date.

Issue statistics

Basis of the Open Offer:	Two (2) Offer Shares for every three (3) Shares held on the Record Date and payable in full on acceptance, together with three (3) Bonus Shares for every two (2) Offer Shares taken up
Number of Shares in issue:	210,051,339 Shares as at the Latest Practicable Date
Number of Offer Shares:	Not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares
	The aggregate nominal value of the Offer Shares will be not less than HK\$70,017,113.00 and not more than HK\$88,785,892.00
Number of Bonus Shares:	Not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer
	The aggregate nominal value of the Bonus Shares will be not less than HK\$105,025,669.50 and not more than HK\$133,178,838.00
Subscription Price:	HK\$0.50 per Offer Share payable in full on application

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 146,338 outstanding Share Options and the Convertible Notes in the outstanding principal amount of HK\$28,080,000 carrying rights to convert into 56,160,000 Conversion Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, the holder of the Convertible Notes has undertaken to the Company not to convert the Convertible Notes before the Record Date.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer.

On the basis of not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares to be issued under the Open Offer, not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares will be issued.

Subscription price

The Subscription Price of HK\$0.50 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. Taking into account the Bonus Shares to be issued, the average price per Offer Share with Bonus Issue would be HK\$0.20 per Share ("**Average Price for Offer Share and Bonus Share**").

The Subscription Price represents:

1. a discount of approximately 12.28% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 4.21% to the average of the closing price of approximately HK\$0.522 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
3. a discount of approximately 1.28% to the average of the closing price of approximately HK\$0.507 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
4. a premium of approximately 47.49% over the theoretical ex-entitlement price of HK\$0.339 per Share based on the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
5. a premium of approximately 235.57% over the unaudited consolidated net asset value per share of approximately HK\$0.149 as at 30 June 2013; and
6. a premium of approximately 4.17% over the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Average Price for Offer Share and Bonus Share represents:

1. a discount of approximately 64.91% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 61.69% to the average of the closing price of approximately HK\$0.522 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
3. a discount of approximately 60.55% to the average of the closing price of approximately HK\$0.507 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
4. a discount of approximately 41.00% to the theoretical ex-entitlement price of HK\$0.339 per Share based on the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
5. a premium of approximately 34.23% over the unaudited consolidated net asset value per Share of approximately HK\$0.149 as at 30 June 2013; and
6. a discount of approximately 58.33% to the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price and the Average Price for Offer Share and Bonus Share were arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares, trading liquidities under the prevailing market conditions and the par value. To assess the fairness and reasonableness of the Subscription Price and the Average Price for the Offer Share and the Bonus Share, the Board has considered the par value of the Shares and the average of the closing price of the Shares for the five consecutive trading days and ten consecutive trading days prior to the date of the Underwriting Agreement (the "**Review Period**"). During the Review Period, the average of the closing price of the Shares for the five consecutive trading days and ten consecutive trading days were HK\$0.522 and HK\$0.507 respectively. The Subscription Price represents a 4.21% discount to the average closing price for the five consecutive trading days and a 1.28% discount to the average closing price for the ten consecutive trading days; whereas the Average Price for Offer Share and Bonus Share represents a 61.69% discount to the average closing price for the five consecutive trading days and a 60.55% discount to the average closing price for the ten consecutive trading days. Also, the Board had considered the par value of the Shares, which is HK\$0.50 per Share. As further discussed in the section headed "Reasons for the Open Offer" below, under the Companies Ordinance, the Company cannot issue shares at a discount to par value. In order to provide more incentives to the Qualifying Shareholders to subscribe for the Offer Shares, the Board decided to offer at the Subscription Price equal to the par value of the Shares. Further, the Board had reviewed the daily trading volume of the Shares on the Stock Exchange for the 6-month before the Last Trading Day. During such period, the average daily trading volume of the Shares was approximately 2,076,682 Shares, representing approximately 0.99% of the Company's issued share capital as at the Latest Practicable Date.

LETTER FROM THE BOARD

Since three Bonus Shares will be issued for every two Offer Shares taken up, the Average Price for Offer Share and the Bonus Share is calculated by multiplying the Subscription Price of HK\$0.50 by two and then divided by five. To assess the fairness and reasonableness of the Average Price for Offer Share and the Bonus Share, the Board had taken into account (i) the Subscription Price of HK\$0.50 per Offer Share; (ii) the allotment of the Bonus Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer; and (iii) the discount to the market value of the Shares as mentioned above.

As further discussed in the section headed “Reasons for the Open Offer” below, under the Companies Ordinance, the Company cannot issue shares at a discount to par value. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the past twelve months, if the Subscription Price is offered at par or at a premium over the closing price of the Shares on the Last Trading Day, it is difficult for the Company to attract the Qualifying Shareholders to further invest in the Company through the Open Offer alone. For instance, if the Open Offer is to be offered on other basis such as five Offer Shares for three existing Shares, the subscription price per Offer Share may need to be offered at a discount to par value in order to maintain the attractiveness for the Qualifying Shareholders to invest. However, such offer at a discount will breach the Companies Ordinance. Further, the Group is in urgent need for capital to satisfy the present financial requirement, especially to satisfy the Loan Facility. For details of specific funding needs and working capital requirements of the Company in the coming 12 months, please refer to the section headed “Reasons for the Open Offer” below. Further, the Bonus Issue can (i) effectively reduce the average price per Offer Share taken up from 12.28% to 64.91% as compared to the closing price of the Shares on the Last Trading Day; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Offer Shares. In view of the reasons above, the recent financial requirements of the Group as mentioned in the section headed “Reasons for the Open Offer” and taking into consideration of the discount of approximately 41% to the theoretical ex-entitlement price of HK\$0.339 per Share based on the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day and the par value of HK\$0.50 per Share, in order to increase the attractiveness of the Open Offer with Bonus Issue to the Qualifying Shareholders, the Directors (excluding the independent non-executive Directors who will give their view on the Open Offer after taking into account the advice of the independent financial adviser) consider that the proposed discount of the Average Price for Offer Share and Bonus Share to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the independent non-executive Directors who will give their view on the Open Offer after taking into account the advice of the independent financial adviser) consider that the Subscription Price and the Average Price for Offer Share and Bonus Share are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The net price per Offer Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) will be approximately HK\$0.48.

LETTER FROM THE BOARD

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrars and transfer office in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 18 November 2013.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will invoke additional administrative work and costs for the Open Offer, which is not considered to be cost-effective.

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Tuesday, 19 November 2013 to Tuesday, 26 November 2013, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will ascertain whether there are any Overseas Shareholders on the Record Date. Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholders. To determine the identities of the Prohibited Shareholders and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders.

Status of the Offer Shares and Bonus Shares

The Offer Shares (when allotted and fully paid) and the Bonus Shares will rank *pari passu* with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares and Bonus Shares. Holders of fully paid Offer Shares and Bonus

LETTER FROM THE BOARD

Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares and Bonus Shares.

Share Certificates for Offer Shares and Bonus Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, certificates for all fully-paid Offer Shares and Bonus Shares are expected to be posted on or before Thursday, 19 December 2013 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

No excess application for the Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriters.

The Directors hold the view that the Open Offer gives the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company. Besides, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures including the preparation, printing, posting of excess application form for the Offer Shares and handling of any excess application for the Offer Shares. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders. After arm's length negotiation with the Underwriters, and taking into account that the related administrative costs would be lowered in the absence of excess applications, the Directors consider that the absence of the excess application arrangement can save additional efforts and costs which is in the interest of the Company. The Offer Shares are offered to all Qualifying Shareholders on an equal basis, hence, it is fair to all Qualifying Shareholders including the Independent Shareholders. Therefore, the Directors consider that is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders in order to lower the administrative costs in view of the loss making track record and that the Group is in urgent need for capital to satisfy the present financial requirement, especially to satisfy the Loan Facility, which is further discussed in the section headed "Reasons for the Open Offer" below. The absence of the excess application arrangement under the Open Offer is acceptable.

Fractions of Offer Shares

Entitlement to the Offer Shares will be rounded down to the nearest whole number. Fractional entitlements of Offer Shares will not be allotted and will be aggregated. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriters.

LETTER FROM THE BOARD

Odd lots arrangements

In order to facilitate the trading odd lots (if any) of the Offer Shares, the Company has agreed to procure China Times Securities Limited to provide a matching services on a best effort basis, to those Shareholders who wish to acquire odd lots of the Offer Shares to make up a full board lot, or to dispose of their holding of odd lots of the Offer Shares. Holders of odd lots of the Shares may contact Ms. Penny Ng / Ms. Lydia Li of China Times Securities Limited (telephone number: (852) 2527 2923 / (852) 2527 9993) during the aforesaid period. Shareholders should note that the successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder, who is in doubt about the odd lot matching arrangement, is recommended to consult his/her/its own professional advisers.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and Bonus Shares. The Offer Shares and Bonus Shares are expected to continue to be traded in existing board lot of 3,000 Shares. Dealings in the Offer Shares and Bonus Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and Bonus Shares on the Stock Exchange, the Offer Shares and Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares may be settled through CCASS. You should seek advice of your stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (3) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares and the Bonus Shares by no later than the first day of their dealings;
- (4) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (5) the passing by no later than the Prospectus Posting Date by the Shareholders (or, where appropriate, Independent Shareholders) at the EGM the following resolutions:
 - (i) a special resolution to approve the Proposed Amendments to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company; and
 - (ii) an ordinary resolution to approve the Open Offer with Bonus Issue and the issue of the Offer Shares and Bonus Shares by way of poll.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriters may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares and Bonus Shares or to give effect to the Open Offer with Bonus Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions of the Open Offer are not fulfilled at or before 12:00 noon on Friday, 13 December 2013 (or such later time and/or date as the Company and Underwriters may determine), neither the Company nor the Underwriters shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Open Offer will not proceed.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	23 August 2013 (after trading hours)
Underwriters:	Underwriter A; and Underwriter B
Number of Offer Shares:	Not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares
Number of Bonus Shares:	Not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every two (2) Offer Shares taken up under the Open Offer
Number of Underwritten Shares:	Not less than 140,034,226 Offer Shares (with not less than 210,051,339 Bonus Shares) and not more than 177,571,784 Offer Shares (with not more than 266,357,676 Bonus Shares)
Commission:	an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

The commission rate was determined between the Company and the Underwriters by reference to the market rate. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriters and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons. Pursuant to the terms and conditions of the Underwriting Agreement, the Open Offer is fully underwritten by the Underwriters (including the Offer Shares and the Bonus Shares).

Underwriting obligations

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite:

- i. not less than 140,034,226 Offer Shares (with not less than 210,051,339 Bonus Shares) (assuming all the Share Options and the conversion rights attaching to the Convertible Notes are not being subscribed or exercised on or before the Latest Lodging Date) in the following manner:
 - (i) if the number of the untaken Underwritten Shares is less than or equal to 70,017,113 Offer Shares, then Underwriter A shall subscribe for, or

LETTER FROM THE BOARD

procure subscription of all the untaken Underwritten Shares up to the maximum extent of 70,017,113 Offer Shares (with 105,025,669 Bonus Shares); and

- (ii) if the number of untaken Underwritten Shares is more than 70,017,113 Offer Shares, then Underwriter A shall first subscribe for, or procure subscription of 70,017,113 Offer Shares (with 105,025,669 Bonus Shares) and Underwriter B shall then subscribe for, or procure subscription of the remaining untaken Underwritten Shares.
- ii. not more than 177,571,784 Offer Shares (with not more 266,357,676 Bonus Shares) (assuming all the Share Options and the conversion rights attaching to the Convertible Notes are being subscribed or exercised on or before the Latest Lodging Date) in the following manner:
- (i) if the number of untaken Underwritten Shares is less than or equal to 88,785,892 Offer Shares (with 133,178,838 Bonus Shares), then Underwriter A shall subscribe for, or procure subscription of all the untaken Underwritten Shares up to the maximum extent of 88,785,892 Offer Shares (with 133,178,838 Bonus Shares); and
 - (ii) if the number of untaken Underwritten Shares is more than 88,785,892 Offer Shares, then Underwriter A shall first subscribe for, or procure subscription of 88,785,892 Offer Shares (with 133,178,838 Bonus Shares) and Underwriter B shall then subscribe for, or procure subscription of the remaining untaken Underwritten Shares.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of Underwriter A on behalf of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Underwriter A on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring

LETTER FROM THE BOARD

or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Underwriter A on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Underwriter A on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Underwriter A on behalf of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Underwriter A on behalf of the Underwriters, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, the circular, proxy form, notice of EGM, the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

LETTER FROM THE BOARD

Underwriter A on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriters terminate the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriters terminate the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Friday, 15 November 2013 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 12:00 noon on Friday, 13 December 2013), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER WITH BONUS ISSUE

Scenario 1:

Assuming none of the Share Options and the conversion rights attaching to the Convertible Notes are being exercised or converted on or before the Latest Lodging Date:

	As at the Latest Practicable Date		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 1		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 2	
	Number of Shares	(approx.) %	Number of Shares	(approx.) %	Number of Shares	(approx.) %
Chong Chin	17,180,000	8.18%	45,813,330	8.18%	17,180,000	3.07%
Lin Rong Zhen	10,681,000	5.08%	28,482,665	5.08%	10,681,000	1.90%
Underwriters (Note 3)						
Underwriter A (Note 3)	–	–	–	–	175,042,783	31.25%
Underwriter B (Note 3)	–	–	–	–	175,042,782	31.25%
Subtotal	27,861,000	13.26%	74,295,995	13.26%	377,946,565	67.47%
Public Shareholders	182,190,339	86.74%	485,840,909	86.74%	182,190,339	32.53%
Total	210,051,339	100%	560,136,904	100%	560,136,904	100%

LETTER FROM THE BOARD

Scenario 2:

Assuming all the Share Options and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date:

	As at the Latest Practicable Date		Assuming all the Share Options and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 1		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 2	
	Number of (approx.)		Number of (approx.)		Number of (approx.)		Number of (approx.)	
	Shares	%	Shares	%	Shares	%	Shares	%
Chong Chin	17,180,000	8.18%	17,180,000	6.45%	45,813,330	6.45%	17,180,000	2.42%
Lin Rong Zhen	10,681,000	5.08%	10,681,000	4.01%	28,482,665	4.01%	10,681,000	1.50%
Underwrites (Note 3)								
Underwriter A (Note 3)	-	-	-	-	-	-	221,964,730	31.25%
Underwriter B (Note 3)	-	-	-	-	-	-	221,964,730	31.25%
Subtotal	27,861,000	13.26%	27,861,000	10.46%	74,295,995	10.46%	471,790,460	66.42%
Holder of Share Options	-	-	146,338	0.05%	390,233	0.05%	146,338	0.02%
Holder of Convertible Notes (Note 5)	-	-	56,160,000	21.09%	149,760,000	21.09%	56,160,000	7.91%
Public Shareholders	182,190,339	86.74%	182,190,339	68.4%	485,840,909	68.4%	182,190,339	25.65%
								(Note 4)
Total	210,051,339	100%	266,357,677	100%	710,287,137	100%	710,287,137	100%

Notes:

- Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
- Assuming none of the Shareholders take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriters will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
- This shareholding table is for illustrative purpose only and will never occur. Each of the Underwriters has undertaken with the Company (i) that it shall, whether by itself or together with the parties acting in concert with it (if any), be under no circumstances hold 20% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the issued share capital of the Company immediately after completion of the Open Offer that will trigger a marketing offer obligation under Rule 26 of the Takeovers Code; and (ii) that it shall, in fulfillment of its obligations pursuant to the Underwriting Agreement to subscribe for (or procure to subscribe for) any Underwritten Shares (together with the Bonus Shares it shall be entitled in proportion to the number of Underwritten Shares to be taken up), procure that the subscribers procured by it and/or its sub-underwriter(s) and/or the subscribers procured by such sub-underwriter(s), are not parties acting in concert with it, so that it, together with parties acting in concert with it (if any) will not hold 10% or more of the voting rights of the Company immediately after completion of the Open Offer.

LETTER FROM THE BOARD

In addition, each of the Underwriters undertakes to the Company that in fulfillment of its obligations pursuant to the Underwriting Agreement to procure subscribers for any Underwritten Shares (together with the Bonus Shares entitled in proportion to the number of Underwritten Shares to be taken up), it shall ensure that the subscribers procured by it and/or its sub-underwriter(s) and/or the subscribers procured by such sub-underwriter(s) are independent of and not connected with the connected persons of the Company or its subsidiaries or any of their respective associates such that the Company will be able to comply with the minimum public float requirement set out in Rule 11.23 of the GEM Listing Rules. As at the Latest Practicable Date, the Company and/or the Underwriters have not identified any sub-underwriter(s) and/or potential placees for the Open Offer. The Company will make further announcement in relation to the identities of sub-underwriter(s) and/or potential placees for the Open Offer and any key terms of the sub-underwriting agreement.

4. For the avoidance of doubt, in this scenario the Company will still satisfy the minimum public float requirement under Rule 11.23 of the GEM Listing Rules, since (i) the Underwriters will place down their shareholding immediately upon completion of the Open Offer as mentioned in Note 3 above, and (ii) the holder of Convertible Notes will not hold more than 10% of the shareholding of the Company and hence it will become an Independent Third Party, and its Shares shall be regarded as part of the public.
5. On 30 September 2013, Mr. Chan, an Independent Third Party of the Company and its connected persons, acquired from Mr. Fung Derek Yue Tak ("Mr. Fung"), the original holder of the Convertible Notes, the Convertible Note. Also, pursuant to a deed of assignment dated 30 September 2013 as disclosed in the announcement of the Company dated 30 September 2013, HEC Finance 92 Limited ("HEC"), assigned all its rights, title, benefit, interests and obligations under the Loan Facility to Mr. Chan. Apart from the Loan Facility and the Convertible Notes, Mr. Chan does not have any interests in the Company and its securities. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, (i) Mr. Chan does not have any existing or prior relationship with each of the Underwriters; (ii) Mr. Chan will not be a placee of the Underwritten Shares; (iii) Mr. Chan will not be appointed as a Director; (iv) Mr. Chan does not have any relationship with any vendors in the corporate transactions of the Company during the 24 months (and including the Proposed Acquisition) prior to the date of this circular; and (v) HEC does not have any relationship with each of Mr. Chan and Mr. Fung.

The scenario is for illustration only and will never occur as Mr. Chan, the holder of the Convertible Notes, has undertaken not to convert the Convertible Notes before the Record Date.

FUNDS RAISED DURING THE PAST 24 MONTHS

The following are the details of the fund raising activities of Company in the past twenty four months before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of the net proceeds	Individual dilution effect (Note)	Accumulated dilution effect (Note)
23 May 2012	Placing of 65,647,113 shares under general mandate	HK\$7,320,000	For financing the general working capital needs of the Group	Funds of HK\$7.32 million were used for payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expense	16.67%	16.67%

LETTER FROM THE BOARD

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of the net proceeds	Individual dilution effect (Note)	Accumulated dilution effect (Note)
8 June 2012	Rights issue on the basis of one right share for every two existing shares	HK\$8,700,000	The payment of the interest and/or the principal due under the Loan Facility	Funds of HK\$8.7 million were used for the payment of the interest due under the Loan Facility	33.33%	44.44%
4 October 2012	Placing of 6,564,711 shares under general mandate	HK\$2.98 million	For financing the general working capital needs of the Group	Funds of HK\$2.98 million were used for payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expenses	10.00%	50.00%
7 February 2013	Open offer on the basis of two offer shares for every one existing share	HK\$62.3 million	(i) approximately HK\$60 million will be used for repayment of the loan facility entered into between the Company and Gain All Investments Limited on 30 May 2012; and (ii) the remaining balance will be used for general working capital, including approximately HK\$1 million for administrative expenses and approximately HK\$1.6 million for accounts payable of the Company	(i) funds of HK\$60 million were used for repayment of the loan facility entered into between the Company and Gain All Investments Limited on 30 May 2012; and (ii) the remaining balance were used for general working capital, including approximately HK\$1.4 million for operating expenses and approximately HK\$0.9 million for accounts payable of the Company	66.67%	83.33%
11 June 2013	Placing of 13,110,000 shares under general mandate	HK\$7.6 million	For payment of the Loan Facility entered into between the Company and HEC Finance 92 Limited on 27 May 2013 of HK\$6 million and the remaining for the Group's general working capital.	(i) funds of HK\$5 million were used for repayment of the Loan Facility entered into between the Company and HEC Finance 92 Limited on 27 May 2013; and (ii) approximately HK\$0.7 million were used for payment of operating expenses and approximately HK\$1.9 million were used for payment of accounts payable of the Company	6.24%	84.37%

LETTER FROM THE BOARD

Save as above mentioned, the Company has not conducted any other fund raising activities in the past 24 months immediately preceding the Latest Practicable Date.

Note:

Calculation based on the total issued Shares as at 31 August 2011 (i.e. 1,641,177,848) and taking into consideration of the share consolidation of every five of the then shares of HK\$0.01 each into one consolidated share of HK\$0.05 each on 19 October 2011 and the share consolidation of every ten of the then shares of HK\$0.05 each into one consolidated share of HK\$0.5 each on 19 September 2012.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of travel agent services, advertising and marketing services and trading of securities in Hong Kong. The Directors are of the opinion that, taking into account its internal resources 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. The liabilities of the Company which will fall due within the next twelve months include (i) the Convertible Notes with an outstanding principal amount of HK\$28.08 million with interest accrued of HK\$0.42 million owing to the holder of the Convertible Notes, which will be mature on 28 March 2014 if the holder of the Convertible Notes does not convert the Convertible Notes on or before the maturity date; (ii) the outstanding amount of the Loan Facility of HK\$32 million with interest accrued of HK\$1.9 million which will fall due on 31 December 2013 or the completion date of the Open Offer, whichever is earlier (details of which have been disclosed in the announcements of the Company dated 27 May 2013, 26 August 2013, 2 September 2013 and 30 September 2013); and (iii) payment obligation pursuant to a settlement deed (the “**Settlement Deed**”) dated 11 July 2013 where the Company shall pay to Good Alliance Trading Limited as plaintiff a sum of HK\$2.4 million. As at the Latest Practicable Date, the Company has paid HK\$0.8 million. In addition, it is expected that the Group will require about HK\$42.7 million for daily operating cost and expenses in the next twelve months.

To assess the fairness and reasonableness of the Open Offer with the Bonus Issue, the Board has considered (i) the fairness and reasonableness of the Subscription Price and the Average Price for Offer Share and Bonus Share; (ii) funding needs and dilution effect under the Open Offer with Bonus Issue; and (iii) other fund raising alternatives.

Fair and Reasonableness of the Subscription Price and the Average Price for Offer Share and Bonus Share

The Subscription Price and the Average Price for Offer Share and Bonus Share were arrived at after arm’s length negotiation between the Company and the Underwriters with reference to the market price of the Shares, trading liquidities under the prevailing market conditions and the par value. To assess the fairness and reasonableness of the Subscription Price and the Average Price for Offer Share and Bonus Share, the Board has considered the discount of the Subscription Price and the Average Price for Offer Share and Bonus Share to the average of the closing price of the Shares for the five consecutive trading days and ten consecutive trading days.

LETTER FROM THE BOARD

Also, the Board has considered the par value of the Shares and the implication under the Companies Ordinance. As at the Latest Practicable Date, the par value of the Share is HK\$0.50 per Share. Under the Companies Ordinance, the Company cannot issue shares at a discount to par value. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares has dropped approximately 50% from HK\$0.97 per shares within the past 6 months, if the Subscription Price is offered at par or at a premium over the closing price of the Shares on the Last Trading Day, it is difficult for the Company to attract the Qualifying Shareholders to further invest in the Company through the open offer. For instance, if the open offer is to be offered on other basis such as five offer shares for three existing Shares, the subscription price per offer share may need to be offered at a discount to par value in order to maintain the attractiveness for the Qualifying Shareholders to invest. However, such offer at a discount to par value of the Share will breach the Companies Ordinance. The Bonus Issue can (i) effectively reduce the average price per Offer Share taken up from 12.28% to 64.91% as compared to the closing price of the Shares on the Last Trading Day and at the same time, Shares can be issued at a premium over the par value of the Share; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Offer Shares. Further, the Board expects that the Company has funding needs of not less than approximately HK\$70 million for (i) as to approximately HK\$32 million for the repayment of the Loan Facility and the interest accrued of approximately HK\$1.9 million; (ii) as to approximately HK\$28.08 million for the repayment of the Convertible Notes and the interest accrued of HK\$0.42 million; and (iii) remaining approximately HK\$4.6 million for the general working capital of the Group. The Board has also considered the open offer to be offered on other different basis. However, given that discount to be offered to the Qualifying Shareholders to maintain attractiveness, the above-mentioned limitation under the Companies Ordinance that the Company cannot issue shares at a discount to par value, and taking into account the funding needs of the Company of not less than approximately HK\$70 million, the Board determined to offer at the Subscription Price equal to the par value and to propose the Open Offer with the Bonus Issue on the basis of two Offer Shares for every three Shares held on the Record Date (with Bonus Shares in the proportion of three Bonus Shares for every two Offer Shares taken up). For more details in relation to the assessment by the Directors for the fairness and reasonableness of the Subscription Price and the Average Price for Offer Share and Bonus Share, please refer to the section headed "Subscription Price" above.

Funding needs and dilution effect under the Open Offer with Bonus Issue

The Directors are aware of the situation that the Group's liquidity position would depend largely on the successful conclusion of the Open Offer. Failure to raise funds through the Open Offer may adversely affect the working capital position of the Group and the Directors consider that the Open Offer with Bonus Issue enable the Company to improve its liquidity position. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer with Bonus Issue since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and continue to participate in the future development of the Group should they wish to do so. The proceeds of the Open Offer with Bonus issue will mostly be used for the repayment of the Loan Facility and the Convertible Notes which will be matured within 6 months. By extinguishing the existing liability of

LETTER FROM THE BOARD

the Company, the Company shall be able to concentrate on the development of its existing business and seek other business opportunities to improve its earnings. Save as the memorandum of understanding dated 18 July 2013 to acquire a target company which holds an exclusive franchise right to manufacture and sell the “HIWI” brand of kids clothing as disclosed in the paragraph below, the Company has not identified any other business opportunity as at the Latest Practicable Date. The Shareholders will be able to benefit from the growth of the Company and the potential gains that the Company may make in the future development of the Company. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

The Company is principally engaged in provision of travel agent services, advertising and marketing services, and trading in securities. As set out in the announcement of the Company dated 18 July 2013, the Company has entered into a memorandum of understanding to acquire a target company which holds an exclusive franchise right to manufacture and sell the “HIWI” brand of kids clothing within the southern area from Changjiang of the PRC. “HIWI” is a renowned brand of kids clothing which has a track record of over 10 years. The Company intends to leverage its expertise in advertising and marketing to enhance the branding of “HIWI”. Currently, the Company is undergoing the due diligence review of the acquisition. As at the Latest Practicable Date, no concrete term or agreement has been reached or materialised in relation to the above proposed acquisition. Save as disclosed above, the Company does not have any concrete future development business plan as at the Latest Practicable Date.

Other fund Raising Alternatives

The Board has considered several alternatives for raising funds, such as bank borrowings, debt financings, pro-rata equity fund raising exercise and placing of new Shares under the general mandate. Bank borrowings and debt financing would, however, be difficult provided that the unfavorable financial performance of the Group in the past few years, and the possibility of incurring significantly high interest expenses to the Group. The Board has also considered raising funds by way of placing of new Shares. However, the Company has utilized approximately 99.85% of the existing general mandate of the Company which was approved by the Shareholders in the annual general meeting held on 13 May 2013. The Board has also considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights, the Company considers that the Open Offer is a better option.

In view of the above factors, the Directors consider that the Open Offer with the Bonus Issue is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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 31 August 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	Payment of accounts payable of the Company
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	Payment of accounts payable of the Company

LETTER FROM THE BOARD

The cash position of the Group as at 31 August 2013 was arrived at after including the above corporate activities.

	<i>HK\$'000</i>
As at 31 August 2013	<u><u>1,258</u></u>

As at the Latest Practicable Date, the Group expects to have the following cash inflow (apart from net proceeds of the Open Offer):

	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	22,200	Depends on the result of legal action taken by the Company	<i>(i)</i>
2. Indemnity sum to be received in relation to a writ of summons issued by Good Alliance Trading Limited	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 of Mass Apex Limited	2,000	Depends on the result of legal action taken by the Company	<i>(iii)</i>
4. Option exercise price to be received upon disposal of Fountain City Holdings Limited back to the original vendors	58,650	By 24 February 2014	<i>(iv)</i>
5. Loans advanced to Fountain City Holdings Limited	6,244	By 24 February 2014	<i>(iv)</i>
	91,094		

LETTER FROM THE BOARD

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 outstanding payment of HK\$22,200,000 of put option price. As at the Latest Practicable Date, no legal proceeding has yet been commenced and the parties are negotiating for a settlement and no concluded settlement has yet been reached. For more details, please refer to the announcement of the Company dated 18 October 2013. The Company will make further announcement as and when appropriate to update the Shareholders in this regard.
- (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 11 July 2013, Tang Tsz Hoo Anthony shall pay to the Company by five instalments with the last instalment to be received no later than 8 May 2014.
- (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. As at the Latest Practicable Date, the refundable deposit of HK\$2 million has not yet been received and the Company is seeking legal advice in relation to the recovery of the refundable deposit. For more details, please refer to the announcement of the Company dated 18 October 2013. The Company will make further announcement as and when appropriate to update the Shareholders in this regard.
- (iv) The option exercise price to be received from sell back of Fountain City Holdings Limited to the original vendors and the loans advanced to Fountain City Holdings Limited are expected to be received by the Company on or before 24 February 2014 pursuant to the ordinary resolution passed in the extraordinary general meeting held on 26 August 2013.

LETTER FROM THE BOARD

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

	<i>HK\$'000</i>	
1. Loan Facility with interest accrued thereunder	33,900	due on 31 December 2013 or the completion date of the Open Offer whichever is earlier
2. Claims endorsed to the writ of summons issued by Good Alliance Trading Limited	1,600	payable by four 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 with interest accrued thereunder	28,500	due on 28 March 2014
4. Daily Operating cost and expenses	42,700	for the next twelve months
5. Finance lease	121	due on 25 March 2015
	106,821	
	106,821	

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$67 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) will be used (i) as to approximately HK\$32 million for the repayment of the Loan Facility and the interest accrued of HK\$1.9 million; (ii) as to approximately HK\$28.08 million for the repayment of the Convertible Notes and the interest accrued of HK\$0.42 million; and (iii) the remaining approximately HK\$4.6 million for the general working capital of the Group including (a) the payment obligation pursuant to the Settlement Deed for the sum of HK\$1.6 million; (b) approximately HK\$2 million for operational expenses; and (c) approximately HK\$1 million for accounts payable of the Company.

LETTER FROM THE BOARD

The maximum amount of net proceeds of the Open Offer (after deduction of commission and expenses) will be approximately HK\$85.3 million (assuming full exercise and conversion of the outstanding Share Options and the Convertible Notes before the Record Date) will be used (i) as to approximately HK\$32 million for repayment of the Loan Facility and the interest accrued of HK\$1.9 million; (ii) as to approximately HK\$28.08 million for the repayment of the Convertible Notes and the interest accrued of HK\$0.42 million; and (iii) the remaining approximately HK\$22.9 million for general working capital of the Group including (a) the payment obligation pursuant to the Settlement Deed for the sum of HK\$1.6 million; (b) approximately HK\$20.3 million for operational expenses; and (c) approximately HK\$1 million for accounts payable of the Company.

As at the Latest Practicable Date, (i) the outstanding principal amount of the Loan Facility is HK\$32 million and the interest accrued is approximately HK\$1.9 million. Both the principal and the interest accrued will fall due on 31 December 2013 or the completion date of the Open Offer, whichever is earlier and (ii) the outstanding principal amount of the Convertible Notes is HK\$28.08 million with the maturity on 28 March 2014 and the interest accrued is approximately HK\$0.42 million.

RISK FACTORS

Shareholders and prospective investors should consider carefully all the information set out in this circular and, in particular, should evaluate the following risks in connection with an investment in the Company before making any investment decision (including the Open Offer with Bonus Issue) in relation to the Company.

RISKS RELATING TO THE OPEN OFFER WITH BONUS ISSUE

Termination of the Underwriting Agreement

Shareholders and prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement after giving notice in writing to the Company upon the occurrence of any of the events stated in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" of this circular on or before Latest Time for Termination.

Dilution of the Shareholders' equity interests

The Group may require additional funds in the future to finance its expansion of business and operations. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the interests of the existing Shareholders may be diluted as a result of such equity fund raising.

LETTER FROM THE BOARD

RISKS RELATING TO THE GROUP'S BUSINESS

The Group maintains a significant level of liabilities and the business of the Group may be adversely affected by the lack of refinancing options if the Open Offer cannot proceed

The Group has been building up significant level of liabilities, which is mainly attributable to (i) the outstanding Convertible Notes in the principal amount of HK\$28.08 million and the interest accrued of approximately HK\$0.42 million; (ii) the total outstanding principal amount of the Loan Facility of approximately HK\$32 million and the interest accrued of approximately HK\$1.9 million as at the Latest Practicable Date. Upon completion of the Open Offer, it is expected that the Convertible Notes and the Loan Facility will be repaid. However, if the Open Offer will not proceed or the Underwriters terminate the Underwriting Agreement before the Latest Time for Termination, the significant amount of liabilities cannot be repaid and the Company may not be able to obtain the necessary funding, either through debt or equity financing or both, to re-finance the Loan Facility and to redeem the Convertible Notes as and when they fall due. The current level of gearing could potentially constrain the Group's operation with significant consequences such as, among others, (i) constrains on the Group's working capital position and capital expenditures due to the use of a substantial portion of the Group's cash flows for debt servicing, and (ii) limit the Group's ability to obtain, as well as an increase in the cost of, additional financing to fund future working capital and capital expenditures. Hence, the Directors cannot provide absolute assurance that the Group will have the ability to raise necessary financing to fund the Group's working capital, capital expenditures and other debt obligations. As such, the Group's business, prospects and financial condition may be materially and adversely affected.

Reliance on key executives and personnel

The future success of the Group will depend to a large extent on the continued efforts of the Directors and senior management of the Group as a whole. There is no assurance that these key executives or personnel will not voluntarily terminate their employment with the Group. Although the Group does not rely on any one particular Director or senior management staff of the Group, the loss of any of the Group's key executives or personnel could be detrimental to the ongoing success of the Group's operations.

The Group's continued success will also depend on its ability to attract and retain qualified personnel in order to manage its existing operations as well as its future growth. The Group may not be able to successfully attract, assimilate or retain the personnel they need and this could negatively impact on the Group's ability to expand their business effectively.

LETTER FROM THE BOARD

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEME AND THE CONVERTIBLE NOTES

Pursuant to the terms of the Share Option Scheme and the Convertible Notes, the exercise prices and conversion price of the respective Share Options and the Convertible Notes will be adjusted in accordance with the Share Option Scheme and the deed poll of the Convertible Notes upon the Open Offer becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Share Option and the holder of the Convertible Notes the respective adjustments upon the Open Offer becoming unconditional. The Company will notify the holders of the Share Options and the Convertible Notes the required adjustment(s) as soon as practicable and details of adjustments will be provided in the Prospectus in respect of the Open Offer to be despatched to the Shareholders.

GEM LISTING RULES IMPLICATIONS

As the Open Offer with Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this circular, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. As at the Latest Practicable Date, since there is no Controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting at the EGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules. As at the Latest Practicable Date, none of the Directors or chief executive of the Company hold any Share in the Company. The Independent Board Committee of the Company has been established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer. Ample Capital Limited has been appointed to advise the Independent Board Committee of the Company in this regard.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Lau Shu Yan, Mr. Chiu Koon Shou, Mr. Li Kwok Chu and Ms. Lam Yuk Ying, Elsa, has been established by the Company to advise the Independent Shareholders on the terms of the Open Offer with Bonus Issue.

INDEPENDENT FINANCIAL ADVISER

Ample Capital Limited has been appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer with Bonus Issue. Such appointment has been approved by Independent Board Committee.

LETTER FROM THE BOARD

AMENDMENTS TO THE ARTICLES

The existing Article 145(A) of the Articles provides that the capitalization of the Company's reserves or funds by way of distribution of bonus shares to the Shareholders should be in the same proportion to their shareholdings. Since the Qualifying Shareholders who do not take up the Offer Shares will not be entitled to the Bonus Shares, the Bonus Issue will not be in the same proportion to the shareholding of the Shareholders. To facilitate the Open Offer with the Bonus Issue, the Directors proposes to amend the Articles accordingly so that any declaration, making or payment of a distribution to the Shareholders otherwise than pro-rata to their shareholdings upon the capitalisation of any part of the Company's reserves or funds is allowed. Upon the Proposed Amendments becoming effective and the necessary resolution approving the Bonus Issue being passed, the Bonus Shares can be allotted and issued in the proportions that the Board has proposed. The Directors consider that the Proposed Amendments would facilitate the issue of the Bonus Shares and provide the Company with flexibility in raising capital from its Shareholders and is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Board proposes to put forward a special resolution to the Shareholders for approval at the EGM in respect of the amendments to Article 2(A) and Article 145(A) of the Articles to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company by:

- (1) deleting Article 145(A) in its entirety and substituting the following therefor:

"The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the Members or any class of Members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution"

- (2) deleting the interpretation of "dividend" under Article 2(A) in its entirety and substituting the following therefor:

"dividend" shall include scrip dividends, distributions in specie or in kind and capital distributions, if not inconsistent with the subject or context;

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

According to Article 101 of the Articles, any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. As such in accordance with Article 101, each of Mr. Wu Wenbei, Ms. Lin Yan Jenny, Ms. Lam Yuk Ying, Elsa and Mr. Wong Chun Hung shall retire from his or her office as Director. Being eligible each of Mr. Wu Wenbei, Ms. Lin Yan Jenny and Mr. Wong Chun Hung will offer himself or herself as an executive Director and Ms. Lam Yuk Ying, Elsa will offer herself as an independent non-executive Director.

At the EGM, ordinary resolutions will be proposed to re-elect Mr. Wu Wenbei, Ms. Lin Yan Jenny and Mr. Wong Chun Hung as executive Directors and Ms. Lam Yuk Ying, Elsa as an independent non-executive Director.

Particulars relating to Mr. Wu Wenbei, Ms. Lin Yan Jenny, Ms. Lam Yuk Ying, Elsa and Mr. Wong Chun Hung are set out in Appendix III to this circular.

EGM

A notice convening the EGM at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Wednesday, 13 November 2013 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 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 to the Company's share registrars, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

As at the Latest Practicable Date, since there is no Controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting at the EGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules. As at the Latest Practicable Date, none of the Directors or chief executive of the Company hold any Share in the Company.

RECOMMENDATIONS

The Directors (including independent non-executive Directors) believe that the terms of the Open Offer with Bonus Issue and the proposed re-election of the Directors are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors) recommend the Independent Shareholders or the Shareholders (as the case may be) to vote in favour of all resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer on pages 41 to 42 of this circular. The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, the text of which is set out on pages 43 to 62 of this circular, considers that the terms of the Open Offer with Bonus Issue are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer with Bonus Issue at the EGM.

FURTHER INFORMATION

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

By the order of the Board
TLT Lottotainment Group Limited
Lin Yan Jenny
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer with Bonus Issue (including the absence of excess application arrangement under the Open Offer).



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

18 October 2013

To the Independent Shareholders

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER OF
NOT LESS THAN 140,034,226 OFFER SHARES
AND
NOT MORE THAN 177,571,784 OFFER SHARES AT HK\$0.50 PER OFFER SHARE
ON THE BASIS OF TWO OFFER SHARES FOR
EVERY THREE SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES
IN THE PROPORTION OF THREE BONUS SHARES
FOR EVERY TWO OFFER SHARES TAKEN UP UNDER THE OPEN OFFER);
AND
(II) AMENDMENTS TO ARTICLES OF ASSOCIATION**

We refer to the circular of the Company dated 18 October 2013 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer with Bonus Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Ample Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 43 to 62 of the Circular, we are of the opinion that the Open Offer with Bonus Issue is on normal commercial terms, is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Open Offer with Bonus Issue.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lau Shu Yan

Mr. Li Kwok Chu

Independent non-executive Director

Independent non-executive Director

Mr. Chiu Koon Shou

Ms. Lam Yuk Yin, Elsa

Independent non-executive Director

Independent non-executive Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Ample Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer with Bonus Issue, which has been prepared for the purpose of inclusion in this circular.

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited

Unit A, 14th Floor

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135 Des Voeux Road Central

Hong Kong

18 October 2013

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

Dear Sirs,

PROPOSED OPEN OFFER ON THE BASIS OF TWO OFFER SHARES FOR EVERY THREE EXISTING SHARE HELD ON THE RECORD DATE (WITH BONUS SHARES IN THE PROPORTION OF THREE BONUS SHARES FOR EVERY TWO OFFER SHARES TAKEN UP)

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the particulars of which have been set out in a circular to the Shareholders dated 18 October 2013 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendations as to whether the Open Offer is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders how to vote at the EGM. Details of the reasons for the Open Offer are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

As the Open Offer with Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Circular, the Open Offer is subject to the approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B

LETTER FROM INDEPENDENT FINANCIAL ADVISER

of the GEM Listing Rules. As at the Latest Practicable Date, since there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting at the EGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules. As at the Latest Practicable Date, none of the Directors or chief executive of the Company hold any Share in the Company.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the GEM Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Open Offer.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer and, if in any doubt, should consult their own professional advisers.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Open Offer, we have taken into consideration the following factors:

1. Background information of the Group

As stated in the Board Letter, the Group is principally engaged in the provision of travel agent services, advertising and marketing services and trading of securities in Hong Kong. Set out below is certain summary financial information as extracted from the Company's interim report for the six months ended 30 June 2013 (the "Interim Report").

	For the six months ended	
	30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	14,216	12,888
Loss attributable to owners of the Company	10,538	37,501
	As at	
	30 June	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets	132,635	158,733
Total liabilities	101,283	187,800
Net assets/(liabilities)	31,352	(29,067)
Cash and cash equivalents	2,993	4,491

As per the Interim Report, the Group recorded revenue of approximately HK\$14,216,000 during the six months ended 30 June 2013, representing an approximately 10.3% increase compared to the revenue of approximately HK\$12,888,000 recorded during the six months ended 30 June 2012. The Interim Report attributes the increase in revenue to (i) increase in bulk sales of airline tickets to domestic agencies in travel agency segment; and (ii) the increase in project sales from music concert production which was newly introduced to the Group. In addition, the Group also recorded a loss attributable to owners of the Company of approximately HK\$10,538,000 during the six months ended 30 June 2013, representing an approximately 71.9% decrease from the loss attributable to owners of the Company of approximately HK\$37,501,000 recorded during the six months ended 30 June 2012. As at 30 June 2013, the Group had total assets, total liabilities and net assets of approximately HK\$132,635,000, HK\$101,283,000 and HK\$31,352,000 respectively. In addition, the Group had cash and cash equivalents of approximately HK\$2,993,000 as at 30 June 2013.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We note from the section headed “Fund raised during the past 24 months” in the Board Letter that the Company has conducted the following past fund raising activities:

- (i) a placing of 65,647,113 Shares announced on 23 May 2012 raising net proceeds of approximately HK\$7.32 million which was applied for payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expense;
- (ii) a rights issue on the basis of 1 right share for every 2 existing shares held announced on 8 June 2012 raising net proceeds of approximately HK\$8.7 million of which were used for the payment of the interest due under the Loan Facility;
- (iii) a placing of 6,564,711 Shares announced on 4 October 2012 raising net proceeds of approximately HK\$2.98 million which was applied for the payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expenses;
- (iv) an open offer (the “**Previous Open Offer**”) on the basis of 2 offer shares for every 1 existing share held announced on 7 February 2013 with net proceeds of approximately HK\$62.3 million raised, among which (i) approximately HK\$60 million were used for repayment of the loan facility entered into between the Company and Gain All Investments Limited on 30 May 2012; and (ii) the remaining balance were used for general working capital, including approximately HK\$1.4 million for operating expenses and approximately HK\$0.9 million for accounts payable of the Company; and
- (v) a placing of 13,110,000 Shares announced on 11 June 2013 raising net proceeds of approximately HK\$7.6 million which was applied as to (i) approximately HK\$5 million for repayment of the loan facility entered into between the Company and HEC Finance 92 Limited on 27 May 2013; and (ii) approximately HK\$0.7 million for payment of operating expenses and approximately HK\$1.9 million for payment of accounts payable of the Company.

In our discussion with the Group’s management in connection with the frequent fund raising activities in the past 24 months, we understand that the Group would not have been able to repay the loan facilities if the Company had not undertaken such fund raising exercises. The Group’s management further explained that it considers that Shareholders’ interests are fairly taken care of with fund raising by way of Open Offer would allow the Shareholders to maintain their respective shareholdings in the Company if they subscribe for the Offer Shares. Despite the frequent funding raising exercises in the past 24 months, we consider the Open Offer is a necessary move for the Group to fulfill its repayment obligations

LETTER FROM INDEPENDENT FINANCIAL ADVISER

arising out of, amongst others, the Convertible Bonds, the Loan Facility and the Settlement Deed as discussed in section 2 of this letter below. Failure to do so may result in legal action(s) from the relevant creditors which may lead to undesirable consequences such as liquidation of the Company. In view of the above, we consider that the Open Offer with Bonus Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Reasons for the Open Offer and the use of proceeds

As stated in the Board Letter, the Directors are of the opinion that, taking into account its internal resources 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 the Circular. The liabilities of the Company which will fall due within the next twelve months include (i) the Convertible Notes with an outstanding principal amount of HK\$28.08 million with interest accrued of approximately HK\$0.42 million owing to the holder of the Convertible Notes, which will be mature on 28 March 2014 if the holder of the Convertible Notes does not convert the Convertible Notes on or before the maturity date; (ii) the outstanding amount of the Loan Facility of HK\$32 million with interest accrued of approximately HK\$1.9 million which will fall due on 31 December 2013 or the completion date of the Open Offer, whichever is earlier (details of which have been disclosed in the announcements of the Company dated 27 May 2013, 26 August 2013, 2 September 2013 and 30 September 2013); and (iii) payment obligation pursuant to the Settlement Deed dated 11 July 2013 where the Company shall pay to Good Alliance Trading Limited as plaintiff a sum of HK\$2.4 million. As at the Latest Practicable Date, the Company has paid HK\$0.8 million. In addition, it is expected that the Group will require about HK\$42.7 million for daily operating cost and expenses in the next twelve months. As per the section headed "Cash position of the Group" in the Board Letter, the cash of the Group as at 31 August 2013 was approximately HK\$1.3 million.

The Directors are aware of the situation that the Group's liquidity position would depend largely on the successful conclusion of the Open Offer. Failure to raise funds through the Open Offer may adversely affect the working capital position of the Group and the Directors consider that the Open Offer with Bonus Issue would enable the Company to improve its liquidity position. Moreover, the Board is of the view that it is in the interest of the Company and its Shareholders as a whole to raise the capital through the Open Offer with Bonus issue since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and continue to participate in the future development of the Group should they wish to do so. The proceeds of the Open Offer with Bonus Issue will mostly be used for the repayment of the Loan Facility and the Convertible Notes which will be matured within 6 months. By extinguishing the existing liability of the Company, the Company shall be able to concentrate on the development of its existing business and then seek for other business opportunities to improve its earnings. Save as the memorandum of understanding dated 18 July 2013 to acquire a target company which holds an exclusive franchise right to manufacture and sell the "HIWI" brand of kids clothing as disclosed in the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

paragraph below, the Company has not identified any other business opportunity as at the Latest Practicable Date. The Shareholders will be able to benefit from the growth of the Company and the potential gains that the Company may make in the future development of the Company. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

The Company is principally engaged in provision of travel agent services, advertising and marketing services, and trading in securities. As set out in the announcement of the Company dated 18 July 2013, the Company has entered into a memorandum of understanding to acquire a target company which holds an exclusive franchise right to manufacture and sell the "HIWI" brand of kids clothing within the southern area from Changjiang of the PRC. "HIWI" is a renowned brand of kids clothing which has a track record of over 10 years. The Company intends to leverage its expertise in advertising and marketing to enhance the branding of "HIWI". Currently, the Company is undergoing the due diligence review of the acquisition. As at the Latest Practicable Date, no concrete term or agreement has been reached or materialized in relation to the above proposed acquisition. Save as disclosed above, the Company does not have any concrete future development business plan as at the Latest Practicable Date.

The minimum amount of net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$67 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) will be used (i) as to approximately HK\$32 million for the repayment of the Loan Facility and the interest accrued of approximately HK\$1.9 million; (ii) as to approximately HK\$28.08 million for the repayment of the Convertible Notes and the interest accrued of approximately HK\$0.42 million; and (iii) the remaining approximately HK\$4.6 million for the general working capital of the Group including (a) the payment obligation pursuant to the Settlement Deed for the sum of approximately HK\$1.6 million; (b) approximately HK\$2.0 million for operational expenses; and (c) approximately HK\$1.0 million for accounts payable of the Company.

The maximum amount of net proceeds of the Open Offer (after deduction of commission and expenses) will be approximately HK\$85.3 million (assuming full exercise and conversion of the outstanding Share Options and the Convertible Notes before the Record Date) will be used (i) as to approximately HK\$32 million for repayment of the Loan Facility and the interest accrued of approximately HK\$1.9 million; (ii) as to approximately HK\$28.08 million for the repayment of the Convertible Notes and the interest accrued of approximately HK\$0.42 million; and (iii) the remaining approximately HK\$22.9 million for general working capital of the Group including (a) the payment of obligations pursuant to the Settlement Deed for the sum of approximately HK\$1.6 million; (b) approximately HK\$20.3 million for operational expenses; and (c) approximately HK\$1.0 million for accounts payable of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As stated above, the due date of the Loan Facility with an outstanding principal of HK\$32 million and the interest accrued of approximately HK\$1.9 million is 31 December 2013 or the completion date of the Open Offer, whichever is earlier. Accordingly, the latest due date of the Loan Facility of 31 December 2013 (assuming the Open Offer completes on or after 31 December 2013) is less than three months from the Latest Practicable Date. Furthermore, the Board Letter states that the Convertible Notes with outstanding principal of approximately HK\$28.08 million and the interest accrued of approximately HK\$0.42 million will mature on 28 March 2014 which is less than six months from the Latest Practicable Date. As per the Board Letter, the conversion price of the Convertible Notes is currently HK\$0.50 per Share (the “**Conversion Price**”) which represents an approximately 4.2% premium over the closing price of HK\$0.48 per share on the Latest Practicable Date. Having considered (i) the current financial position and the unsatisfactory performance of the Group in the past as discussed in the section 1 of this letter; (ii) the Conversion Price being higher than the closing price of the Shares on the Latest Practicable implies a book loss (after trading expenses) for the holder of the Convertible Notes (the “**CN Holder**”) should the CN Holder decides to exercise the conversion rights attached to the Convertible Notes as the Conversion Price is higher than the prevailing market price; and (iii) the relatively low liquidity of the Shares on the GEM as discussed in section 3.1 of this letter below implying difficulty in disposing the conversion Shares, we cannot identify any incentive for the CN Holder to convert the Convertible Notes and accordingly, we believe that it is unlikely that the CN Holder will convert the Convertible Notes into Shares before the Convertible Notes’ maturity. In view of the above, we believe that the Company will likely have to redeem the Convertible Notes with outstanding principal of approximately HK\$28.08 million together with interest accrued of approximately HK\$0.42 million by its maturity on 28 March 2014.

We note from the section headed “Cash position of the Group” in the Board Letter that the Group expects to have the following cash inflows (apart from the net proceeds from the Open Offer):

- (i) put option price to be received from sell back Dragon Gain Worldwide Limited to original vendors of approximately HK\$22.2 million with uncertain date of receipt depending on the result of legal action taken by the Group;
- (ii) indemnity sum in relation to a writ of summons of approximately HK\$2.0 million receivable by five installments on or before 8 May 2014;
- (iii) refund of deposit from acquisition of Mass Apex Limited of approximately HK\$2.0 million with uncertain date of receipt depending on the result of the legal action taken by the Company;
- (iv) option exercise price of approximately HK\$58.7 million to be received from sell back of Fountain City Holdings Limited to the original vendor by February 2014; and
- (v) loans advanced to Fountain City Holdings Limited of approximately HK\$6.2 million by February 2014.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Out of the above, only items (iv) and (v) (with aggregate amount of approximately HK\$64.9 million) have definite expected time of receipt of February 2014 which is after the latest due date of the Loan Facility of 31 December 2013. Also, the cash inflows from items (ii), (iv) and (v) which have definite expected time of receipt amount to approximately HK\$66.9 million and this amount falls far short of the funding needs of the Group of approximately HK\$106.8 million (inclusive of daily operating cost and expenses of approximately HK\$42.7 million for the next twelve months) as stated in the Board Letter.

Given with the Group's financial position as discussed in section 1 of this letter above in particular its loss making position and the cash balance of approximately HK\$1.3 million as at 31 August 2013, we are of the view that in the absence of fund raising exercise such as the Open Offer, the Group will experience difficulties in fulfilling its funding needs including but not limited to the Loan Facility, the Convertible Notes and average daily operating cost and expenses of approximately HK\$3.6 million per month. Failure to fulfill the Group's repayment obligations in a timely manner may potentially result in disruption in the Group's daily operations and legal action taken by the relevant creditor(s) which may result in liquidation of the Company, a situation which is far from ideal for both the Company and the Shareholders.

In view of the above, we consider that the Open Offer with Bonus Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Terms of the Open Offer

The basis of the Open Offer is two (2) Offer Shares for every three (3) Shares held on the Record Date together with three (3) Bonus Shares for every two (2) Offer Shares taken up. Not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares will be issued at the Subscription Price of HK\$0.50 per Offer Share. Furthermore, not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares will be issued. The Average Price for Offer Share and Bonus Share is HK\$0.20 per Share. Assuming no further issue of new Shares or repurchase of Shares on or before the Latest Lodging Date, the Offer Shares and Bonus Shares proposed to be issued represents approximately 166.7% of the existing issued share capital of the Company and approximately 62.5% of the then issued share capital of the Company as enlarged by the Offer Shares and the Bonus Shares.

The Average Price for Offer Share and Bonus Share of HK\$0.20 per Share represents:

- (i) a discount of approximately 64.91% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 61.69% to the average of the closing price of approximately HK\$0.522 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (iii) a discount of approximately 41.00% to the theoretical ex-entitlement price of HK\$0.339 per Share based on the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 34.33% over the unaudited consolidated net asset value per Share of approximately HK\$0.149 per Share as at 30 June 2013; and
- (v) a discount of approximately 58.33% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Board Letter, the Subscription Price and the Average Price for the Offer Share and Bonus Share were arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares, trading liquidities under the prevailing market conditions and the par value. Please refer to the sections headed "Subscription Price" and "Fair and reasonableness of the Subscription Price and the Average Price for Offer Share and Bonus Share" in the Board Letter for more information on the Board's basis of the Subscription Price and the Average Price for Offer Share and Bonus Share.

We note from the Board Letter that the Subscription Price of HK\$0.50 per Offer Share and the Average Price for Offer Share and Bonus Share of HK\$0.20 per Share represents discounts of approximately 12.28% and 64.91% respectively to the closing price of HK\$0.570 per Share on the Last Trading Day. Having considered that the discounts of the Subscription Price and Average Price for Offer Share and Bonus Share would serve the purpose of increasing the attractiveness of the Open Offer with Bonus Issue to the Qualifying Shareholders and the same discounts are available to all Qualifying Shareholders so all Qualifying Shareholders are treated in a fair and equitable manner, we consider that the discounts and accordingly the Subscription Price and the Average Price for Offer Share and Bonus Share are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As stated in the Board Letter, as at the Latest Practicable Date, the par value of the Share is HK\$0.50 per Share. Under the Companies Ordinance, the Company cannot issue shares at a discount to par value. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the past twelve months, if the Subscription Price is offered at par or at a premium over the closing price of the Shares on the Last Trading Day, it is difficult for the Company to attract the Qualifying Shareholders to further invest in the Company through the Open Offer alone. For instance, if the Open Offer is to be offered on other basis such as five offer shares for three existing Shares, the subscription price per offer share may need to be offered at a discount to par value in order to maintain the attractiveness for the Qualifying Shareholders to invest. However, such offer at a discount to par value of the Share will breach the Companies Ordinance. Further, the Group is in urgent need for capital to satisfy the present financial requirement, especially to satisfy the Loan Facility. The Board Letter carries on to state that the Bonus Issue can (i) effectively reduce the average

LETTER FROM INDEPENDENT FINANCIAL ADVISER

price per Offer Share taken up from 12.28% to 64.91% as compared to the closing price of the Shares on the Last Trading Day and at the same time, Shares can be issued at a premium over the par value of the Share; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Offer Shares.

The Board has also considered the Open Offer to be offered on different basis. However, given that discount to be offered to the Qualifying Shareholders to maintain attractiveness, the limitation under the Companies Ordinance that the Company cannot issue shares at a discount to par value, and taking into account the funding needs of the Company of not less than approximately HK\$70 million, the Board determined to offer at the Subscription Price equal to the par value and to propose the Open Offer with the Bonus Issue on the basis of two Offer Shares for every three Shares held on the Record Date (with Bonus Shares in the proportion of three Bonus Shares for every two Offer Shares taken up). The investor should note that the Open Offer with Bonus Issue is effectively a 5 for 3 open offer. We note that the basis of entitlement of an open offer also affects the net proceeds to be raised and potential dilution effect on the shareholdings of non-participating shareholders. For example, the Company could have opted for a higher basis of entitlement for each existing Share held which would have the effect of (i) enabling a higher amount of fund raising at the same subscription price; (ii) allowing a higher discount of subscription price to market price for the same amount of fund raising; and/or (iii) having more dilution effect on the shareholdings of non-participating Shareholders. Having a lower basis of entitlement for each existing Share held would have the opposite effect. Since the effective basis of entitlement of the Open Offer with Bonus Issue of 5 for 3 (i) allows the Group to raise the target proceeds of not less than approximately HK\$70 million as per the Board Letter which is expected to meet its current funding requirement as advised by the Group's management; (ii) allows the Group to raise such net proceeds while having a discount of Average Price per Offer Share and Bonus Share to the closing price of the Shares on the Last Trading Day that falls within the LTD Variance Range (as defined in section 3.2 of this letter); and (iii) allows the Group to raise such net proceeds while having dilution for non-participating Shareholders that falls within the Dilution Range (as defined in section 3.2 of this letter), we consider such effective basis of entitlement is fair and reasonable.

The net price per Offer Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) will be approximately HK\$0.48.

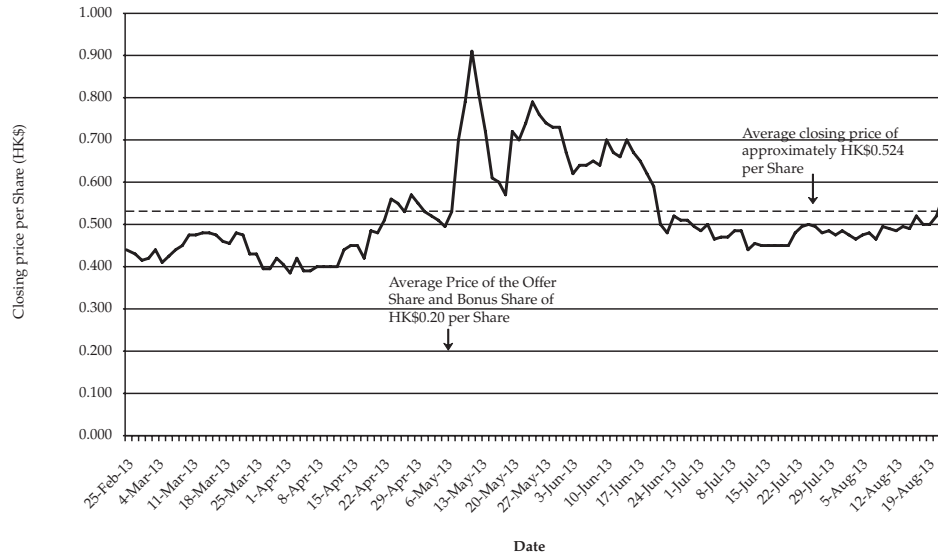
3.1 Historical closing prices and trading volume of the Shares

We have reviewed the closing price and daily trading volume of the Shares on the Stock Exchange for the 6-month period ended on 23 August 2013, i.e. the Last Trading Day (the "**Review Period**"). We consider that the Review Period is reasonable so as to show the historical trend of the closing

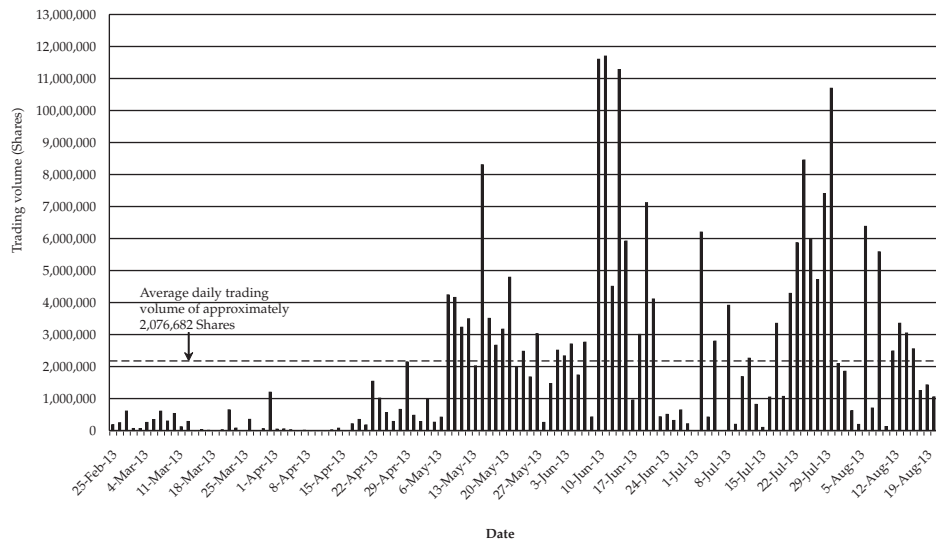
LETTER FROM INDEPENDENT FINANCIAL ADVISER

price of the Shares on the Stock Exchange for a meaningful period in relation to the Open Offer. The relevant charts are set out below:

Closing price per Share on the Stock Exchange



Daily trading volume of the Shares on the Stock Exchange



Source: <http://www.hkex.com.hk/>

LETTER FROM INDEPENDENT FINANCIAL ADVISER

During the Review Period, the highest closing price of the Shares was HK\$0.910 on 13 May 2013 and the lowest closing price of the Shares was HK\$0.385 on 2 April 2013. As illustrated in the chart above, the Average Price of the Offer Share and Bonus Share was set at level which is below the range of the closing prices of the Shares during the Review Period. The average closing price of the Shares during the Review Period was approximately HK\$0.524 per Share, and the Average Price for Offer Share and Bonus Share represents an approximately 61.8% discount from such average closing price. As discussed in the following section 3.2 of this letter, it is common for listed issuers in Hong Kong to issue offer shares at a discount to market price in order to enhance the attractiveness of an open offer. Having considered that the Open Offer is available to all of the Qualifying Shareholders providing them with an equal chance in participating in the Open Offer, we are of the view that such discount of the Average Price for Offer Share and Bonus Share to the average closing price of the Shares during the Review Period to be fair and reasonable. We have adopted a comparison with the Average Price for Offer Share and Bonus Share instead of the Subscription Price as the Subscription Price is not meaningful since only the Average Price for Offer Share and Bonus Share fairly takes into account of the effect of the Bonus Shares which participating Shareholders effectively receive for free. During the Review Period the average daily trading volume of the Shares was approximately 2,076,682 Shares, representing approximately 0.99% of the Company's issued share capital as at the Latest Practicable Date. Trading of the Shares was not particularly active during the Review Period which may have an implication in setting the Offer Price at a discount to market price so as to enhance attractiveness of the Open Offer.

3.2 Comparison with other open offers and rights issues

In assessing the fairness and reasonableness of the Subscription Price, we have conducted a comparative analysis on 12 open offers and rights issues conducted by other listed companies on the Stock Exchange (the "**Comparable(s)**"). The Comparables constitute an exhaustive list of all of the open offers or rights issues announced by listed companies on either the Main Board or the Growth Enterprise Market of the Stock Exchange within the 3-month period up to and including the Last Trading Day, i.e. 23 August 2013 based on our search on a best effort basis. We consider a 3-month period is reasonable as (i) it illustrates the recent trend of open offers and rights issue in the market; and (ii) it allows us to obtain a reasonable sample of Comparables which provides the basis for a meaningful analysis. As the Comparables reflect the recent trend of open offers and rights issues in the market, we are of the view that the Comparables are collectively a fair and representative sample.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Certain terms of the Comparables are summarised in the following table:

Company Name (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/ (to) the closing price per share on the respective last trading day %	Premium/ (discount) of subscription price over/ (to) the theoretical price %	Potential maximum dilution of shareholding %	Underwriting commission %	Excess application
China Merchants Bank Co., Ltd. (3968)	23 August 2013	1.74 for 10	(17.60)	(15.40)	14.82	N/A ¹	Yes
Pacific Plywood Holdings Limited (767)	20 August 2013	4 for 1 ²	(66.67)	(28.57)	80.00	3.50	Yes
China Environmental Resources Group Limited (1130)	15 August 2013	33 for 10	(50.00)	(18.92)	76.74	2.50	No
Hao Wen Holdings Limited (8019)	11 July 2013	8 for 1	(61.35)	(15.30)	88.89	3.00	Yes
Uni-Bio Science Group Limited (690)	10 July 2013	2 for 1 ³	(49.37)	(24.53)	66.67	2.50	Yes
U-Right International Holdings Limited (627) ⁴	9 July 2013	5 for 1	(89.29)	N/A ¹	83.33	2.50	No
National Investments Fund Limited (1227)	8 July 2013	1 for 2	(42.37)	(32.81)	33.33	3.00	Yes
Sustainable Forest Holdings Limited (723)	5 July 2013	12 for 12 ⁵	(90.34)	(82.34)	50.00	2.50	No
ICube Technology Holdings Limited (139)	25 June 2013	2 for 1	(20.63)	(8.00)	66.67	2.50	Yes
Vision Values Holdings Limited (862)	13 June 2013	1 for 2	(36.30)	(27.50)	33.33	2.50	Yes
Merdeka Resources Holdings Limited (8163)	11 June 2013	2 for 5	11.11	7.82	28.57	3.50	Yes
First Pacific Company Limited (142)	27 May 2013	1 for 8	(29.60)	(27.20)	11.11	2.30	Yes
		<i>Minimum</i>	(90.34)	(82.34)	11.11	2.30	
		<i>Maximum</i>	11.11	7.82	88.89	3.50	
		<i>Average</i>	(45.20)	(24.80)	52.79	2.75	
The Company (8022)	23 August 2013	5 for 3⁶	(64.91)⁷	(41.00)⁷	62.50	2.50	No

Source: <http://www.hkexnews.hk/>

Notes:

1. The relevant information of this Comparable was not disclosed in the relevant announcement.
2. The basis of this rights issue is 2 rights shares for every 1 existing share held with bonus shares in the proportion of 1 bonus share for every 1 rights share so the effective basis of entitlement is 4 new shares for every 1 existing share held.
3. The basis of this open offer is 1 offer share for every 1 existing share held with bonus shares in the proportion of 1 bonus share for every 1 offer share so the effective basis of entitlement is 2 new shares for every 1 existing share held.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

4. This Comparable (i) is a long suspended company whose trading on the Stock Exchange has been suspended since 17 September 2008; and (ii) has appointed provisional liquidators.
5. The basis of this open offer is 1 offer share for every 12 existing share held with bonus shares in the proportion of 11 bonus shares for every 1 offer share so the effective basis of entitlement is 12 new share for every 12 existing share held.
6. The basis of the Open Offer is 2 Offer Shares for every 3 existing Shares held with bonus shares in the proportion of 3 Bonus Shares for every 2 Offer Shares so the effective basis of entitlement is 5 new Shares for every 3 Shares held.
7. The relevant discounts are based on the Average Price for Offer Share and Bonus Share.

For those Comparables involving bonus issue and the Company, we have adopted the variance of the average/effective price of the offer/rights shares and bonus shares to the closing price or theoretical ex-entitlement price. We consider this approach instead of comparing the subscription price of the Comparables is a fair, reasonable and meaningful approach as the average/effective price of the offer/rights shares and bonus shares fairly takes into account of the effect of the bonus shares which participating shareholders effectively received for free.

As shown in the above table, the variance of the subscription prices to the closing prices of the Comparables on the last trading days prior to the release of the respective announcements range from a discount of approximately 90.34% to a premium of approximately 11.11% (the “**LTD Variance Range**”) with the average being a discount of approximately 45.20%. It is noted that the LTD Variance Range is quite wide. But having considered that (i) the 3-month period used for the selection of the Comparables is not excessively long giving a reasonable number of Comparables; and (ii) the Comparables reflect the recent trend of open offers and rights issues in the market, we consider the LTD Variance Range is relevant within the context of our analysis. The discount of the Average Price for the Offer Share and Bonus Share to the closing price of the Shares on the Last Trading Day of approximately 64.91% falls within the LTD Variance Range and is below the average of the Comparables.

The variance of the subscription prices to the theoretical ex-entitlement prices of the Comparables range from a discount of approximately 82.34% to a premium of approximately 7.82% (the “**TEP Variance Range**”) with the average being a discount of approximately 24.80%. It is noted that the TEP Variance Range is quite wide. But having considered that (i) the 3-month period used for the selection of the Comparables is not excessively long giving a reasonable number of Comparables; and (ii) the Comparables reflect the recent trend of open offers and rights issues in the market, we consider the TEP Variance Range is relevant within the context of our analysis. The discount of the Average Price for Offer Share and Bonus Share to the theoretical ex-entitlement price of approximately 41.00% falls within the TEP Variance Range and is below the average of the Comparables.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The potential maximum dilution effect of the Comparables ranged from approximately 11.11% to approximately 88.89% (the “**Dilution Range**”) with an average of approximately 52.79%. The potential maximum dilution effect of the Open Offer of approximately 62.50% therefore falls within the Dilution Range and is above the average of the Comparables. We note that the dilution effect is determined by the basis of entitlement of an open offer or rights issue which also determines the number of offer shares available for subscription. In our discussion with the Group’s management, the effective basis of entitlement of the Open Offer of 5 new Shares for every 3 existing Shares held was principally determined with reference to the fund raising requirements of the Group which have been discussed in section 2 of this letter. In order to achieve the same level of fund raising, the Group could have opted for (i) a subscription price which is set at a lower discount to (or even a premium to) the closing price per Share on the Last Trading Day; and (ii) a different basis of entitlement resulting in less offer shares being issued. However, this would have the effect of making the Open Offer less attractive to the Shareholders therefore giving them less incentive to subscribe for the Offer Shares which would then likely result in less Shareholders participating in the Open Offer and therefore more Shareholders having their shareholding diluted than having the Subscription Price set at a discount. Having considered (i) 11 of the 12 Comparables had their subscription price set at a discount to recent closing price; (ii) the Open Offer’s basis entitlement was determined indirectly with reference to the Group’s funding requirement and the Group is expected to have sufficient financial resources following the Open Offer to satisfy its current needs; and (iii) the potential maximum dilution of the Open Offer is within the Dilution Range, we consider the potential dilution on shareholding of the Shareholders is acceptable.

From the analysis above, we note that (i) 9 out of 12 of the Comparables offered excess application for the open offer or rights issue; and (ii) 3 out of 12 of the Comparables did not offer excess application for the open offer or rights issue. The Open Offer does not implement a mechanism for excess application of Offer Shares not taken up by Qualifying Shareholders. Please see our further analysis regarding the fairness and reasonableness of the lack of excess application in section 4 of this letter below.

The LTD Variance Range, the TEP Variance Range and the Dilution Range show that the relevant terms of the Open Offer are in line with the recent trend of other open offers and rights issues in the market. Having considered (i) it is common for listed issuers in Hong Kong to issue offer or rights shares at a discount to market price in order to enhance the attractiveness of an open offer or rights issue; (ii) the Subscription Price and the Average Price for Offer Share and Bonus Share were determined after arm’s length negotiations between the Company and the Underwriters who are independent third parties; (iii) the discounts of the Average Price for Offer Share and Bonus Share to the closing price of the Shares on the Last Trading Day and to the theoretical ex-entitlement price fall within the range of the LTD Variance Range and the TEP Variance Range respectively; and (iv) all

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Qualifying Shareholders are offered an equal opportunity to subscribe for the Offer Shares, we consider the Subscription Price and the Average Price for Offer Share and Bonus Share are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3.3 Underwriting commission

As per the Board Letter, the Company will pay the Underwriters an underwriting commission of 2.5% (the “**Underwriting Commission**”) of the aggregate Subscription Price of the maximum number of Underwritten Shares. As illustrated in the analysis set out in section 3.2 of this letter above, the underwriting commission of the Comparables range from a low of 2.3% to a high of 3.5%, with the average being approximately 2.75%. In view that (i) the Underwriting Commission falls within the range of underwriting commission of the Comparables; and (ii) as advised by the Group’s management, the Underwriting Commission was determined after arm’s length negotiation between the Company and the Underwriters which are independent third parties, we consider the Underwriting Commission is in line with the market practice and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3.4 Risk associated with the Open Offer

Shareholders should note that as stated in the Board Letter, the Open Offer is conditional upon the fulfillment of certain conditions as set out under the section headed “Conditions of the Open Offer”. In addition, the Underwriter may terminate the Underwriting Agreement as per the section headed “Termination of the Underwriting Agreement” set out in the Board Letter. Accordingly, the Open Offer may or may not proceed. The Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.

4. Other financing alternatives

We note from the Board Letter that the Board has considered alternatives for raising funds, such as bank borrowings, debt financings, pro-rata equity fund raising exercise and placing of new Shares under the general mandate.

With regards to debt financing such as bank borrowings, we note that the proceeds from the Open Offer will be primarily applied towards the repayment of the outstanding principal of the Loan Facility and the Convertible Notes so obtaining bank borrowings may not be ideal as the principal amount of any debt financing would eventually require repayment upon maturity. The Open Offer on the other hand would not create any financial burden in the form of repayment of principal. Furthermore, any debt financing would inevitably incur recurring interest expenses over the entire term of the loan. As discussed in section 3.3 of this letter, the Underwriting Commission is 2.5% of the aggregate Subscription Price of

LETTER FROM INDEPENDENT FINANCIAL ADVISER

the maximum number of Underwritten Shares (which is one-off in nature). As such, it is expected that the interest expenses of debt financing of a comparable size as the Open Offer would be significantly higher than the cost of the Open Offer. Lastly, given the Group's unsatisfactory financial performance in recent years and its current financial position, the Group's ability to secure additional debt financing on reasonable terms is questionable.

For other types of equity financing such as placing of new Shares, it would immediately dilute the shareholding of the existing Shareholders without giving them a chance to participate in the fund raising exercise and maintain their respective pro-rata shareholding as in the case of the Open Offer. As for rights issue, another type of equity financing which would allow the shareholders to maintain their respective shareholding in the Company, it would involve additional administrative costs in addition to taking more time to complete given that rights issue features the trading of nil-paid rights on the Stock Exchange.

With regards to choosing the Open Offer instead of a rights issue with trading of nil-paid rights, we consider that the Open Offer already achieves the goal of offering the Offer Shares to all Qualifying Shareholders on an equal and fair basis. The lack of trading of nil-paid rights does not affect the above. And having considered the relatively inactive historical trading volume of the Shares as discussed in section 3.1 of this letter, whether the nil-paid rights associated with a rights issue will develop an active market on the Stock Exchange may be questionable.

We also note that no mechanism for excess application is implemented for the Open Offer. Since two security brokerage firms have been appointed as the Underwriters, any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriters. With regards to the lack of excess application, we note that this arrangement does not affect the goal of open offers which is to offer the offer shares to all qualifying shareholders so that they can maintain their respective pro rata shareholding on an equal and fair basis. We note from the Board Letter that if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures including the preparation, printing, posting of excess application form for the Offer Shares and handling of any excess application for the Offer Shares. After arm's length negotiation with the Underwriters, and taking into account that the related administrative costs would be lowered in the absence of excess applications, the Directors consider that the absence of the excess application arrangement can save additional efforts and costs which is in the interests of the Company. Having considered (i) the Group's urgent need for capital as discussed in section 2 of this letter; and (ii) the lack of excess application does not affect the goal of open offers which is to offer the offer shares to all qualifying shareholders so that they can maintain their respective pro rata shareholding on an equal and fair basis, we concur with the Directors' view above and consider that the lack of excess application is fair and reasonable.

Having considered the factors set out above, we are of the view that the Open Offer is an appropriate means of fund raising for the Company amongst the other financing alternatives.

5. Potential dilution on the shareholding interests of the Independent Shareholders

Your attention is drawn to the section headed “Changes in the shareholding structure of the Company arising from the Open Offer with Bonus Issue” in the Board Letter. We also note that the maximum number of Offer Shares and Bonus Shares to be issued represents approximately 211.3% of the Company’s existing issued share capital. Since the Open Offer is offered to all Qualifying Shareholders on the same basis, the Open Offer will enable the Qualifying Shareholders to maintain their proportional interests in the Company should they wish to do so. Should the Qualifying Shareholders decide not to take up their entitlements under the Open Offer, the Qualifying Shareholders will have their shareholding in the company diluted by approximately 62.5% upon completion of the Open Offer and the Bonus Issue. We note from the Board Letter that the accumulated dilution effect arising from the fund raising activities of the Company in the past twenty four months before the Latest Practicable is approximately 84.37%. After taking into account the issue of the Offer Shares and the Bonus Shares, the accumulated dilution effect (together with the fund raising activities in the past twenty four months) would become approximately 94.14%.

Having considered (i) the frequent past fund raising activities conducted by the Company as discussed in section 1 of this letter; (ii) the accumulated dilution effect of these past fund raising activities as discussed immediately above; (iii) the 64.91% discount of the Average Price for Offer Share and Bonus Share to the closing price per Share on the Last Trading Day should increase the attractiveness of the Open Offer with Bonus Issue which would hopefully increase the number of Qualifying Shareholders participating in the Open Offer and maintaining their respectively shareholding in the Company; (iv) the reasons for the Open Offer, in particular the Company’s need to repay the Loan Facility, the Convertible Notes and the Settlement Deed as discussed in section 2 of this letter; and (v) the unsatisfactory past financial performance of the Company as discussed in section 1 of this letter which implies that the Group is unlikely to be able to satisfy its repayment obligations with cash inflows generated in its operations making additional fund raising activities such as the Open Offer a necessity, we consider the potential dilution to the existing Shareholders’ shareholding in the Company in the event that they do not subscribe for the Offer Shares is acceptable and the Open Offer with Bonus Issue is fair and reasonable.

6. Financial effects of the Open Offer

6.1 Net tangible assets

According to the unaudited pro forma financial information as set out in Appendix II to the Circular (the “**Pro Forma Financial Information**”), the Group had unaudited net tangible assets of approximately HK\$10,819,000 as at 30 June 2013 and an unaudited pro forma adjusted net tangible assets per Share of approximately HK\$0.05 prior to completion of the Open Offer. As per

the Pro Forma Financial Information, after adjustments for the Open Offer, the Group would have (i) unaudited pro forma net tangible assets of approximately HK\$77,835,000 and unaudited pro forma net tangible assets per Share of approximately HK\$0.14 under Scenario 1; and (ii) unaudited pro forma net tangible assets of approximately HK\$96,119,000 and unaudited pro forma net tangible assets per Share of approximately HK\$0.14 under Scenario 2, as a result of the inflow of the estimated net proceeds from the Open Offer.

As illustrated above, the Offer Shares, which will be issued at a premium to the net tangible assets per Share, are expected to increase the net tangible assets per Share upon the completion of the Open Offer and Bonus Issue.

6.2 Working capital

The Open Offer is expected to have a positive effect on the Group's working capital upon completion as the proceeds from the Open Offer will bring in net proceeds approximately HK\$67 million to the Group.

6.3 Liquidity

According to the Interim Report, the unaudited consolidated total current assets and total current liabilities of the Group as at 30 June 2013 were approximately HK\$111,198,000 and HK\$69,012,000 respectively. Accordingly, the current ratio (current assets/current liabilities) as at 30 June 2013 was approximately 1.6 times. The net proceeds from the Open Offer is expected to increase the Group's current assets by approximately HK\$67 million and the Open Offer is expected to improve the Group's liquidity position immediately after its completion.

6.4 Gearing

As per the Interim Report, the Company had unaudited debts of approximately HK\$58,334,000 (comprising (i) finance lease payables (current portion) of approximately HK\$73,000; (ii) convertible bonds of approximately HK\$26,202,000; (iii) interest-bearing loans of approximately HK\$32,000,000; and (iv) finance lease payables (non-current portion) of approximately HK\$59,000) as at 30 June 2013. In addition, it has unaudited total assets of approximately HK\$132,635,000 as at 30 June 2013, translating into a gearing ratio (total debts/total assets x 100%) of approximately 44.0%. As the net proceeds from the Open Offer is be principally used for the repayment of the Group's indebtedness, the Open Offer is expected to significantly improve the Group's gearing position.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Open Offer with Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, we consider that the Open Offer with Bonus Issue is on normal commercial terms but not in the ordinary and usual course of business of the Company. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution at the EGM to be proposed to approve the Open Offer with Bonus Issue.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

1. THREE YEARS AND SIX MONTHS FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2010, year ended 31 December 2011, year ended 31 December 2012 and six months ended 30 June 2013 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, pages 46–176 of the 2012 annual report published on 27 March 2013 and pages 2–28 of the 2013 interim report published on 12 August 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

Borrowing

At the close of business on 31 August 2013, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings amounted to HK\$58,932,481 comprising, (i) the Loan Facility of approximately HK\$32,000,000 was secured by debenture of the Company to HEC dated 27 May 2013, which is then assigned to Mr. Chan, an Independent Third Party of the Company and its connected person, by a deed of assignment dated 30 September 2013, under which the Company shall create a floating charge over all the undertaking property, assets, goodwill, rights and revenues of the Company; (ii) obligation under finance lease of approximately HK\$120,889 were secured by motor vehicles and equipment; and (iii) liability component of the Convertible Notes of approximately HK\$26,811,592 which were unsecured, transferable and with an interest rate 2% per annum.

Commitments and contingent liabilities

Pursuant to the Settlement Deed, the Company shall pay to Good Alliance Trading Limited as plaintiff for six post-dated cheques for HK\$400,000 each with total of HK\$2.40 million and the first and second post-dated cheques with amount of HK\$400,000 each had already settled in July 2013 and October 2013 respectively. The payment obligations of the settlement sum will remain HK\$1.6 million as at the Latest Practicable Date. For more details, please refer to announcements of the Company dated on 20 June 2013, 24 June 2013 and 11 July 2013.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the 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 Group since 31 August 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 (i) the outstanding amount of HK\$22.2 million receivable being remaining part of the consideration of the exercise of put option by the Company to put back its interests in Dragon Gain Worldwide Limited to the original vendors; (ii) the refundable deposit of HK\$2 million to be received by the Company in relation to the lapse of a very substantial acquisition of the entire issued share capital of Mass Apex Limited, for more details of the acquisition, please refer to the announcements of the Company dated on 4 December 2012, 27 December 2012, 25 January 2013, 8 February 2013, 8 March 2013, 25 March 2013, 8 April 2013, 8 May 2013, 7 June 2013, 8 July 2013, 18 July 2013, 2 August 2013, and 7 August 2013; (iii) an indemnity of the amount HK\$2 million payable to the Company by Tang Tsz Hoo Anthony for the settlement deed dated 11 July 2013; (iv) HK\$58.65 million being the option price for the exercise of the put option and amounts of HK\$6.24 million advanced to the disposal group in the Fountain City as announced in the circular of the Company dated 8 August 2013; and (v) the cash and cash equivalents of the Group as at 31 August 2013 were approximately HK\$1.2 million 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 Company's liabilities for the next twelve months to pay (i) the Convertible Notes in an outstanding principal amount of HK\$28.08 million with interest accrued of HK\$0.42 million owing to the holder of the Convertible Notes due on 28 March 2014 if the holder of the Convertible Notes does not convert any of the principal into Shares on or before the maturity date; and (ii) the Loan Facility which will fall due on 31 December 2013 or the completion date of the Open Offer, whichever is earlier. As at the Latest Practicable Date, the outstanding principal amount of the Loan Facility is HK\$32 million with interest accrued of HK\$1.9 million; and (iii) the Company expects to incur certain amount of cash outflow including operating costs, legal and professional fees 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 as announced on 7 January 2013 and (iv) payment obligation pursuant to a settlement deed (the "**Settlement Deed**") dated 11 July 2013 where the Company shall pay to Good Alliance Trading Limited as plaintiff to the sum of HK\$2.4 million. As at the Latest Practice Date, the outstanding amount of the payment obligation is HK\$1.6 million; and (v) it is expected that the Group will require about HK\$42.7 million for daily operating cost and expenses in the next twelve months. The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$67 million, assuming no outstanding Share Options and no rights attaching to the Convertible Note are exercised on or before the Record Date.

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 (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. The Company confirms that there is no further equity funding needs for the Proposed Acquisition, if materialized. As at the Latest Practicable Date, there is no estimated amount of the consideration relating to the Proposed Acquisition and no concrete terms have been finalized for the Proposed Acquisition.

In view of the foregoing, the Company is actively exploring other measures to fulfill the future working capital requirement such as borrowing and fund being raised under the Open Offer. As at the Latest Practicable Date, the Company and Mr. Chan entered into a supplemental loan agreement as disclosed in the announcement of the Company dated on 30 September 2013, pursuant to which, the parties agreed that the repayment date of the outstanding principal amount of the Loan Facility and the interest accrued thereon have been extended to 31 December 2013 or the completion date of the Open Offer, whichever is earlier.

The Directors are aware of the low cash position of the Company. The fourth and final payments of HK\$10 million and HK\$12.2 million respectively in relation to the exercise of the put option of Dragon Gain Worldwide Limited are delayed and have not yet been received as at the Latest Practicable Date. There is uncertainty on when the Company shall receive the payment. The disposal of Fountain City Group by exercising the relevant put option is expected to be completed on or before 24 February 2014, the uncertainty on receiving the indemnity from Tang Tsz Hoo Anthony and the refund of the deposit from Mr. Ma Chun Loi for the lapse of the acquisition of Mass Apex Limited. As such, the Directors are of the view that the Group's liquidity position would depend largely on the successful conclusion of the Open Offer with Bonus Issue. Failure to raise funds through the Open Offer may adversely affect the working capital position of the Group.

Subject to the successful conclusion of the Open Offer with Bonus Issue, 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 interim results for the six months ended 30 June 2013 announced on 12 August 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. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As at the Latest Practicable Date, the Company is principally engaged in travel agency business, advertising and marketing business and securities trading business. Set out below is a detailed discussion on the performance of various business segments of the Company:

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 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 travel 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 tour 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.

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 under-performing entertainment and stage drama business, 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 engagements of similar nature. In view of the popularity of smart phone devices, the Board intends to produce game or game platform to generate (i) downloading sharing income; (ii) advertising income through game/game platform; and (iii) sponsorship or advertising income from advertisers. The Directors are of the view that there is a strong potential growth of 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.

Looking into the future, the Group will continue to review its existing businesses from time to time and strive to improve the efficiency and effectiveness of the business operation and enhance financial position of the Group.

In coming year, after completion of the Disposal of 51% interests in the issued share capital of Fountain City Holdings Limited (the “**Disposal**”), details of which are set out in the announcement of the Company dated 7 January 2013, the 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 by the Company from the Prospective Vendors as contemplated under the memorandum of understanding. 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. As at the Latest Practicable Date, the Company is negotiating with the Prospective Vendors. Apart from above, the Company has not identified or in negotiation with any other target.

Save as disclosed above, the Group does not have any agreement, arrangement, understanding intention or negotiation (concluded or otherwise) about (i) any fund-raising plan (including the issue of new Shares and/or convertible securities; (ii) any issue of new Shares and /or convertible securities for cash and/or as consideration; (iii) any acquisition and/or investment in new business and/or material assets from independent third parties or connected persons; and (iv) any disposal, termination, and/or scaling-down of the existing businesses and major assets of the Group as at the Latest Practicable Date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 (the “Unaudited Pro Forma Net Tangible Assets”) of TLT Lottotainment Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed open offer of not less than 140,034,226 Offer Shares and not more than 177,571,784 Offer Shares at a subscription price of HK\$0.50 per Offer Share, payable in full on application, on the basis of two Offer Shares for every three Shares held on Record Date, together with three Bonus Shares for every two Offer Shares taken up as defined in an announcement dated 23 August 2013, might have affected the financial information presented, for the inclusion in Appendix II of the circular dated 18 October 2013 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Net Tangible Assets is set out in Appendix II to 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 Net Tangible Assets in accordance with paragraph 31 of the 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 of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Net Tangible Assets 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 Net Tangible Assets 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 Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", 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 Net Tangible Assets 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 Net Tangible Assets has been properly complied 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 Net Tangible Assets as disclosed pursuant to paragraph 31 of the Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Net Tangible Assets are 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 unaudited financial position of the Group as at 30 June 2013 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Net Tangible Assets has been properly complied 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 Net Tangible Assets as disclosed pursuant to paragraph 31(1) of the Chapter 7 of the GEM Listing Rules

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 18 October 2013

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company has been prepared in accordance with paragraph 31(1) of the Chapter 7 of the GEM Listing Rules set out below to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as if it had taken place on 30 June 2013.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Open Offer been completed as at 30 June 2013 or at any future date.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The following unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013, extracted from the published unaudited interim report of the Group for the six months ended 30 June 2013, with adjustment described below:

Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Open Offer <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after completion of the Open Offer <i>HK\$</i> <i>(Note 4)</i>	
Based on 560,136,904 Open Offer at subscription price of HK\$0.5 per Offer Share (including 140,034,226 Offer Shares and Bonus Shares 201,051,339) ("Scenario 1")	10,819	67,016	77,835	0.05	0.14
Based on 710,287,137 Open Offer at subscription price of HK\$0.5 per Offer Share (including 177,571,784 Offer Shares and Bonus Shares 266,356,676) ("Scenario 2")	10,819	85,300	96,119	0.05	0.14

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- 1) The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 has been extracted from the published unaudited interim report of the Company for the six months ended 30 June 2013 after deducting intangible assets of approximately HK\$131,000 and goodwill of approximately HK\$20,402,000.
- 2) The estimated net proceeds from the Open Offer of
 - i) Approximately HK\$67,016,000 are based on the minimum number of 140,034,226 Offer Shares to be issued at the Subscription Price of HK\$0.5 per Offer Share (assuming no subscription rights attaching to be outstanding Share Options are exercised and no conversion rights attaching to the Convertible Notes are converted on or before the Latest Lodging Date) and after deducting estimated expenses of approximately HK\$3,001,000 attributable to the Open Offer.
 - ii) Approximately HK\$85,300,000 are based on maximum number of 177,571,784 Offer Shares to be issued at the Subscription Price of HK\$0.5 per Offer Share (assuming full exercise of the subscription rights attaching to the outstanding Share Options and full exercise of the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date) and after deducting estimated expenses of approximately HK\$3,486,000 attributable to the Open Offer.
- 3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Open Offer is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 of approximately HK\$10,819,000 as disclosed in note 1 above, divided by 210,051,339 shares of the Company in issue as at 30 June 2013.
- 4) For Scenario 1, the calculation of the unaudited pro forma adjusted consolidated net tangible assets per share is based on 560,136,904 shares which comprise 210,051,339 shares in issue as at 30 June 2013 and 140,034,226 Offer Shares and 210,051,339 Bonus Shares (assuming no exercise of the outstanding Share Options and no conversion rights attaching to the Convertible Notes are converted on or before the Latest Lodging Date), after the completion of the Open Offer.

For Scenario 2, the calculation of the unaudited pro forma adjusted consolidated net tangible assets per share is based on 710,287,137 shares which comprise 210,051,339 shares in issue as at 30 June 2013, 146,338 shares upon full exercise of the Share Options, 56,160,000 shares upon full conversion of the Convertible Notes (assuming all Share Options and the conversion rights attaching to Convertible Notes are being fully exercised on or before the Latest Lodging Date), 177,571,784 Offer Shares and 266,357,676 Bonus Shares after the completion of the Open Offer.

As at the Latest Practicable Date, the holder of the Convertible Note has undertaken to the Company not to convert the Convertible Notes before the Record Date.

Details of the Directors who will retire from office at the EGM and being eligible, will offer themselves for re-election at the EGM, are set out below:

(1) Mr. Wu Wenbei

Mr. Wu Wenbei (“**Mr. Wu**”), aged 50, graduated from Xiamen University in the PRC and is a practicing lawyer in PRC. He has over 25 years’ experience in international trading and economics.

Mr. Wu is currently an executive director of Xiamen He He Xin Business Consulting Company Limited* (廈門合和鑫商務諮詢有限公司) and a managing director of Xiamen Jin Yin Trading Company Limited* (廈門金峯貿易有限公司).

As at the Latest Practicable Date, Mr. Wu does not have, and is not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) and has no relationship with any Directors, senior management, substantial shareholders or the controlling shareholders of the Company.

Mr. Wu has entered into a service agreement with the Company for a term of two years commencing from 20 June 2013 and is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. Under the service agreement, Mr. Wu is entitled a monthly salary of HK\$25,000 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Save as disclosed above, Mr. Wu did not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

(2) Ms. Lin Yan Jenny

Ms. Lin Yan Jenny (“**Ms. Lin**”), aged 42, has a master degree from the New York Institute of Technology — Vancouver in Canada and has over 20 years’ management experience in various industries. Ms. Lin is a licensed representative to carry type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO of GuocoCapital Limited. Ms. Lin is an independent non-executive director of Thiz Technology Group Limited (Stock Code: 8119) which is listed on the Stock Exchange.

As at the Latest Practicable Date, Ms. Lin does not have, and is not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) and has no relationship with any Directors, senior management, substantial shareholders or the controlling shareholders of the Company.

Ms. Lin has entered into a service agreement with the Company for a term of two years commencing from 27 May 2013 and is subject to the retirement by rotation and

re-election at the annual general meeting of the Company in accordance with the Articles. Under the service agreement, Ms. Lin is entitled a monthly salary of HK\$25,000 plus discretionary bonus, which is determined by reference to the prevailing market conditions and her roles and responsibilities to the Company.

Save as disclosed above, Ms. Lin did not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

(3) Ms. Lam Yuk Ying, Elsa

Ms. Lam Yuk Ying, Elsa (“**Ms. Lam**”), aged 53, holds Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 9 (Asset Management) regulated activities licenses issued by the SFC. Ms. Lam has over 10 years of experience in securities industry and more than 15 years of experience in the treasury function in several major banks. Ms. Lam was an executive director of Value Convergence Holdings Limited (Stock Code: 821), the issued shares of which are listed on the Main Board of the Stock Exchange from 23 February 2011 to 28 December 2012. She was also a director of VC Asset Management Limited, a wholly-owned subsidiary of Value Convergence Holdings Limited. Ms. Lam was also an associate director of Excalibur Hong Kong and held senior positions at Glory Sky Global Markets Limited and Kingston Securities Limited. She was also the head of treasury department of KBC Bank N.V.

As at the Latest Practicable Date, Ms. Lam does not have, and is not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) and has no relationship with any Directors, senior management, substantial shareholders or the controlling shareholders of the Company.

Ms. Lam has not entered into a service contract with the Company. Ms. Lam is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. Ms. Lam will receive a Director’s fee of HK\$120,000 per annum which is determined with reference to her duties and responsibilities with the Company, the Company’s performance and the prevailing market situation. The Director’s fee for Ms. Lam will be reviewed annually by the Board with reference to her duties and responsibilities with the Company, the Company’s performance and the prevailing market situation.

Save as disclosed above, Ms. Lam did not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

(4) Mr. Wong Chun Hung

Mr. Wong Chun Hung (“**Mr. Wong**”), aged 40, graduated from Hong Kong Baptist University with an honors degree in accounting in 1995. He is an associate of the Hong Kong Institute of Certified Public Accountants and has over 15 years’ experience in accounting, auditing and consulting. Since November 2005, he has been the managing director of B&C Finance and Corporate Advisory Limited. He was a non-executive director of King Stone Energy Group Limited (Stock Code: 663), a company listed on the Main Board of the Stock Exchange from 16 April 2012 to 12 March 2013, and independent non-executive directors of two companies listed on the Main Board of the Stock Exchange, namely China Household Holdings Limited (formerly known as “Bao Yuan Holdings Limited”) (Stock Code: 692) from 2 July 2010 to 30 June 2011 and Tech Pro Technology Development Limited (Stock Code: 3823) from 25 July 2007 to 7 January 2011. Mr. Wong is now an independent non-executive director of Pacific Plywood Holdings Limited (Stock Code: 767), a company listed on the Main Board of the Stock Exchange, from 22 April 2010 to present.

As at the Latest Practicable Date, Mr. Wong does not have, and is not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) and has no relationship with any Directors, senior management, substantial shareholders or the controlling shareholders of the Company.

Mr. Wong is appointed by way of a letter of appointment commencing from 2 October 2013 and is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. Under the letter of appointment, Mr. Wong is entitled a monthly salary of HK\$20,000 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Save as disclosed above, Mr. Wong did not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

There is no information relating to Mr. Wu, Ms. Lin, Ms. Lam and Mr. Wong that are required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules. Save as disclosed above, there is no other matter in relation to the re-election of Mr. Wu, Ms. Lin, Ms. Lam and Mr. Wong that needs to be brought to the attention of the Shareholders.

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 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

<i>Authorised capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.50 each	<u>1,000,000,000</u>

Issued and fully paid or credited as fully paid assuming that (a) all Shareholders take up their respective assured entitlements to the Offer Shares; and (b) all subscription or conversion rights attached to the outstanding Share Options and the Convertible Notes have been exercised before the Latest Lodging Time and their respective assured entitlements to the Offer Shares have been taken up:

<i>Issued and to be issued:</i>		<i>HK\$</i>
210,051,339	Shares in issue as at the Latest Practicable Date	105,025,669.50
146,338	Shares to be issued for Share Options being exercised	73,169.00
56,160,000	Shares to be issued for the conversion rights attached to the Convertible Notes being exercised	28,080,000.00
177,571,784	Offer Shares to be issued immediately after completion of the Open Offer	88,785,892.00
266,357,676	Bonus Shares to be issued immediately after completion of the Open Offer	133,178,838.00
<u>710,287,137</u>		<u>355,143,568.50</u>

Issued and fully paid or credited as fully paid assuming no subscription or conversion rights attached to the outstanding Share Options and the Convertible Notes have been exercised:

<i>Issued and to be issued:</i>		<i>HK\$</i>
210,051,339	Shares in issue as at the Latest Practicable Date	105,025,669.50
140,034,226	Offer Shares to be issued immediately after completion of the Open Offer	70,017,113.00
210,051,339	Bonus Shares to be issued immediately after completion of the Open Offer	105,025,669.50
<hr/>		<hr/>
<u>560,136,904</u>		<u>280,068,452.00</u>

All of the Offer Shares and Bonus Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Offer Shares and the Bonus Shares. The Offer Shares and Bonus Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company has 146,338 outstanding Share Options and the Convertible Notes in the outstanding principal amount of HK\$28,080,000 which entitles the holders thereof to convert into 56,160,000 Conversion Shares upon exercise of the conversion rights attached thereto in full. Save for the above, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the Latest Practicable Date.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the GEM and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS**(a) Director's and chief executive's interests in the Company**

As at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had or was deemed to have, 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 would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or pursuant to Rules 5.46 to 5.47 of the GEM Listing Rule relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

(i) Substantial Shareholders of the Company:

Name	Nature of interest	Number of Shares held	Approximately
			Percentage of the Company's issued share capital
Mr. Chong Chin	Beneficial Owner	17,180,000 (L)	8.18%
Mr. Chan (<i>Note</i>)	Beneficial Owner	56,160,000 (L)	26.74%
Mr. Lin Rong Zhen	Beneficial Owner	10,681,000 (L)	5.08%

Note:

(L) denotes long position

As at the Latest Practicable Date, Mr. Chan is interested in the Convertible Notes in the principal amount of HK\$28,080,000 entitling him to convert into 56,160,000 Conversion Shares at the conversion price of HK\$0.50 per Share. On 30 September 2013, Mr. Chan, an Independent Third Party of the Company and its connected person, acquired from Mr. Fung, the original holder of the Convertible Notes, the Convertible Note. Also, pursuant to a deed of assignment dated 30 September 2013 as disclosed in the announcement of the Company dated 30 September 2013, HEC assigned all its rights, title, benefit, interests and obligations under the Loan Facility to Mr. Chan. Apart from the Loan Facility and the Convertible Notes, Mr. Chan does not have any interests in the Company and its securities. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, (i) Mr. Chan does not have any existing or prior relationship with each of the Underwriters; (ii) Mr. Chan will not be a placee of the Underwritten Shares; (iii) Mr. Chan will not be appointed as a Director; (iv) Mr. Chan does not have any relationship with any vendors in the corporate transactions of the Company during the 24 months (and including the Proposed Acquisition) prior to the date of this circular; and (v) HEC does not have any relationship with each of Mr. Chan and Mr. Fung. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Mr. Chan is a professional investor and he was a senior management with an international bank in Hong Kong. As at the Latest Practicable Date, save as the Loan Facility and the holder of the Convertible Notes, Mr. Chan is an Independent Third Party of the Company and its connected persons.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

8. LITIGATION

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

Pursuant to the Writ I, the Plaintiff I 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 to the Plaintiff I; and (ii) an order that the Company do transfer or cause to transfer 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)).

The Board is of the view that the Plaintiff I's claims against the Company under the Writ I are unfounded and the Company has retained solicitors to defend the Plaintiff I's claims against the Company under the Writ I.

On 13 December 2012, the Company applied to the High Court to strike out the Plaintiff I's claim against the Company under the Writ I and on 22 May 2013 the Court ordered upon the application of the Company that the Plaintiff I's Claims against the Company under the Writ I be struck out and that the Plaintiff I shall pay the costs of the Company in the application on indemnity basis.

Details of the litigation were published in the Company's announcement dated 10 October 2012, 13 March 2013 and 22 May 2013. As at the Latest Practicable Date, no concrete term or agreement has been reached or materialised in relation to the above proposed acquisition.

(II) On 20 June 2013, a newspaper article reporting a writ of summons (the "Writ II") 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 II for claiming a guaranteed reward for the sum of HK\$2,400,000.

On 24 June 2013, the Writ II was served on the Company. The Writ II was issued by Good Alliance Trading Limited (the "Plaintiff II") against the Company as the 2nd Defendant, 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, of all its obligations contained in a memorandum of agreement dated 14 December 2011 entered into between Creative Works and the Plaintiff II (the "Agreement") whereby the Plaintiff II 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, and Yeung Wai Bo being the 4th Defendant as guarantors, and the Plaintiff II, 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 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 (the “**Vendors**”) 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.

After extensive negotiation with the Plaintiff II and Tang (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 II’s claims (the “**Settlement Sum**”) against the Company under the Action and the Guarantee; (ii) the Plaintiff II 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 II 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 II to wholly discontinue its claims against the Company under the Action with no order as to cost; and (iii) Tang agrees to pay HK\$2,400,000 to the Company in satisfaction of its obligations under the Undertaking Letter signed on 28 December 2012.

As at the Latest Practicable Date, there was no further update in relation to the above litigations. The Company will make further announcement as and when appropriate to update the Shareholders in these regard.

As at the Latest Practicable Date and save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Elite Partners CPA Limited	Certified Public Accountants
Ample Capital Limited	a licensed corporation under the SFO licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of Elite Partners CPA Limited and Ample Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or their name in the form and context in which they respective appear.

Each of Elite Partners CPA Limited and Ample Capital Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Elite Partners CPA Limited and Ample Capital Limited does not have any direct or indirect interests in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, 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 Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

1. the Underwriting Agreement;
2. the supplemental loan agreement dated 30 September 2013 entered into between the Company as borrower and Mr. Chan as lender in relation to the extension of the Loan Facility of outstanding principal amount of HK\$32,000,000 at an agreed interest rate of 1.5% per month to 31 December 2013 or the completion date of the Open Offer, whichever is earlier;
3. the supplemental loan agreement dated 2 September 2013 entered into between the Company as borrower and HEC as lender in relation to the extension of the Loan Facility of outstanding principal amount of HK\$32,000,000 at an agreed interest rate of 1.5% per month to 30 September 2013;
4. a placing agreement dated 11 June 2013 entered into between the Company as issuer and China Times Securities Limited as placing agent in relation to the placing on a best effort basis of 13,110,000 Shares at the placing price of HK\$0.60 per placing share. The net proceeds was approximately HK\$7.6 million;
5. a loan agreement dated 27 May 2013 and entered into between the Company as borrower and HEC as lender in relation to the granting of a loan facility to the Company up to HK\$37,000,000 at an agreed interest rate of 1.5% per month;
6. a supplemental agreement entered into between the Company and Mr. Fung dated 1 March 2013 to further amend the condition of the Convertible Notes by adding three new events of default;

7. an underwriting agreement dated 5 February 2013 and entered into between the Company as issuer and Quest Stockbrokers (HK) Limited as underwriter in relation to a proposed open offer on the basis of 2 offer shares for 1 then existing share held on the record date, with the estimated net proceeds of approximately HK\$62.6 million;
8. the extension agreement entered into between the Company and Mr. Fung date 8 January 2013 to amend the conditions of the Convertible Notes with principal amount of HK\$60,000,000 due 2013 issued by the Company on 28 March 2011;
9. 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;
10. 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;
11. 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;
12. 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);
13. 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;
14. 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 shares of HK\$0.05 each held on the record date;

15. 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;
16. 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;
17. 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; together with the supplemental agreement dated 25 November 2011, and the second supplemental agreement dated 20 January 2012 to further amend the terms of the sale and purchase agreement dated 14 November 2011; and
18. 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 notes 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.

11. EXPENSES

The expenses in connection with the Open Offer, including underwriters' commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK\$3.01 million and are payable by the Company upon completion of the Open Offer.

12. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered Office and principal place of business in Hong Kong	Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong
Authorised representatives	Ms. Lin Yan Jenny Mr. Au Yeung Yiu Chung

Company Secretary	Mr. Li Chi Chung
Compliance Officer	Mr. Au Yeung Yiu Chung
Legal advisor to the Company	<i>As to Hong Kong Law</i> Michael Li & Co 19th Floor, Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong
Independent financial adviser to the Independent Board Committee in relation to the Open Offer with Bonus Issue and the Underwriting Agreement	Ample Capital Limited
Auditors and reporting accountants	Elite Partners CPA Limited Suite 921-921A, 9th Floor, Star House, 3 Salisbury Road Tsim Sha Tsui, Kowloon, Hong Kong
Underwriters	(a) China Times Securities Limited Room 503, 5/F, The Sun's Group Centre, 200 Gloucester Road, Hong Kong (b) Metro Capital Securities Limited Room 3806, 38/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Share registrar and transfer office	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 16th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong Wing Hang Bank, Limited 161 Queen's Road Central, Central, Hong Kong

Audit Committee

Mr. Lau Shu Yan (*Chairman*)
Mr. Chiu Koon Shou
Mr. Li Kwok Chu
Ms. Lam Yuk Ying, Elsa

13. MISCELLANEOUS

This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

The company secretary of the Company is Mr. Li Chi Chung who is currently a solicitor practising in Hong Kong and a partner of Michael Li & Co. Mr. Li obtained a bachelor degree in laws from 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.

14. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wu Wenbei, aged 50, graduated from Xiamen University in the PRC and is a practicing lawyer in PRC. He has over 25 years' experience in international trading and economics.

Mr. Wu is currently an executive director of Xiamen He He Xin Business Consulting Company Limited* (廈門合和鑫商務諮詢有限公司) and a managing director of Xiamen Jin Yin Trading Company Limited* (廈門金峯貿易有限公司).

Ms. Lin Yan Jenny, aged 42, has a master degree from the New York Institute of Technology — Vancouver in Canada and has over 20 years' management experience in various industries. Ms. Lin is a licensed representative to carry type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO of GuocoCapital Limited. Ms. Lin is an independent non-executive director of Thiz Technology Group Limited (Stock Code: 8119) which is listed on the Stock Exchange.

Mr. Chan Yun Fai ("Mr. Chan"), aged 25, was appointed as an Executive Director on 10 March 2012. Mr. Chan is also the director of a number of subsidiaries. Mr. Chan holds a Bachelor Degree of Science (Actuarial Science) from the Ohio State University, the United State of America. Mr. Chan has since his appointment as executive director of the Company been working full time for the Company and normally spends approximately 35 hours working for the Company each week and has attended all meetings of the Board that were being held. Mr. Chan's role and responsibility in the Company is overseeing operations of the investment projects of the Company and handle the relationships between the Company and the operators of the Company's investment projects.

Mr. Au Yeung Yiu Chung (“**Mr. Au Yeung**”), aged 31, was appointed as an Executive Director on 10 March 2012. Mr. Au Yeung is also the director of a number of subsidiaries. Mr. Au Yeung graduated from the Hong Kong Polytechnic University with a bachelor of Applied Biology in Biotechnology in 2004. Mr. Au Yeung has since his appointment as executive director of the Company been working full time for the Company and normally spends approximately 35 hours working for the Company each week and has attended all meetings of the Board that were being held. Mr. Au Yeung’s role and responsibility in the Company is overseeing compliance and financial aspect of the Company and to explore the possibility for the Company to embark on a new line of business in securities investments. Mr. Au Yeung has completed Licensing Examination for Securities and Futures Intermediaries Papers 1, 7 and 8 organized by the Hong Kong Securities Institute. Mr. Au Yeung has more than 7 years experiences in the insurance and securities industries and prior to joining the Company he had for companies such as Aviva General Insurance Limited, AXA (China Region) Insurance Company Limited, VC Brokerage Limited and Beijing Securities Limited.

Mr. Wong Chun Hung, aged 40, graduated from Hong Kong Baptist University with an honors degree in accounting in 1995. He is an associate of the Hong Kong Institute of Certified Public Accountants and has over 15 years’ experience in accounting, auditing and consulting. Since November 2005, he has been the managing director of B&C Finance and Corporate Advisory Limited. He was a non-executive director of King Stone Energy Group Limited (Stock Code: 663), a company listed on the Main Board of the Stock Exchange from 16 April 2012 to 12 March 2013, and independent non-executive directors of two companies listed on the Main Board of the Stock Exchange, namely China Household Holdings Limited (formerly known as “Bao Yuan Holdings Limited”) (Stock Code: 692) from 2 July 2010 to 30 June 2011 and Tech Pro Technology Development Limited (Stock Code: 3823) from 25 July 2007 to 7 January 2011. Mr. Wong is now an independent non-executive director of Pacific Plywood Holdings Limited (Stock Code: 767), a company listed on the Main Board of the Stock Exchange, from 22 April 2010 to present.

Independent non-executive Directors

Mr. Li Kwok Chu (“**Mr. Li**”), 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. 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.

Mr. Chiu Koon Shou (“**Mr. Chiu**”), 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. 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. Lau Shu Yan (“Mr. Lau”), aged 31, was appointed as an independent non-executive director and chairmen of the audit and remuneration committees and member of the nomination committee on 11 July 2012. 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.

Ms. Lam Yuk Ying, Elsa, aged 53, holds Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 9 (Asset Management) regulated activities licenses issued by the SFC. Ms. Lam has over 10 years of experience in securities industry and more than 15 years of experience in the treasury function in several major banks. Ms. Lam was an executive director of Value Convergence Holdings Limited (Stock Code: 821), the issued shares of which are listed on the Main Board of the Stock Exchange from 23 February 2011 to 28 December 2012. She was also a director of VC Asset Management Limited, a wholly-owned subsidiary of Value Convergence Holdings Limited. Ms. Lam was also an associate director of Excalibur Hong Kong and held senior positions at Glory Sky Global Markets Limited and Kingston Securities Limited. She was also the head of treasury department of KBC Bank N.V.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours on any weekday (except for public holidays) at the head office and 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 the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2011 and 2012 respectively and the interim report of the Company for the six months ended 30 June 2013;
- (c) the material contracts as referred to in the paragraph headed “Material contracts” in this appendix.
- (d) the written consents referred to in the paragraph headed “Qualifications and consents of experts” in this appendix;

- (e) the letter from Elite Partners CPA Limited in respect of the unaudited pro forma consolidated net tangible assets of the Group, the text of which is set out on pages II-1 to II-5 of this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 41 to 42 of this circular;
- (g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 43 to 62 of this circular;
- (h) the Underwriting Agreement;
- (i) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 14 ad/or Chapter 14A of the Listing Rules which have been issued by the Company since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (j) this circular.

NOTICE OF EGM



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

- (I) PROPOSED OPEN OFFER OF
NOT LESS THAN 140,034,226 OFFER SHARES
AND
NOT MORE THAN 177,571,784 OFFER SHARES AT HK\$0.50 PER OFFER SHARE
ON THE BASIS OF TWO OFFER SHARES FOR
EVERY THREE SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES
IN THE PROPORTION OF THREE BONUS SHARES
FOR EVERY TWO OFFER SHARES TAKEN UP UNDER THE OPEN OFFER);
(II) AMENDMENTS TO ARTICLES OF ASSOCIATION;
AND
(III) PROPOSED RE-ELECTION OF DIRECTORS

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of TLT Lottotainment Group Limited (the “Company”) will be held at 11:00 a.m. on Wednesday, 13 November 2013 at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

SPECIAL RESOLUTION

1. “THAT the articles of association (the “Articles”) of the Company be and are hereby amended in the following manner:
 - (a) By deleting Article 145(A) of the Articles in its entirety and substituting the following therefor:

“The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the Members or any class of Members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in

NOTICE OF EGM

general meeting on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution”

- (b) By deleting the interpretation of “dividend” under Article 2(A) of the Articles in its entirety and substituting the following therefor:

“dividend” shall include scrip dividends, distributions in specie or in kind and capital distributions, if not inconsistent with the subject or context.”

ORDINARY RESOLUTIONS

2. “**THAT** subject to the passing of resolution no.1 above and conditional upon:
- (a) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Offer Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Open Offer with Bonus Issue; and (b) the fulfillment of the conditions set out in the underwriting agreement dated 23 August 2013 (the “**Underwriting Agreement**”) among the Company and China Times Securities Limited and Metro Capital Securities Limited as underwriters becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 12:00 noon on the second business day after the last day for acceptance of, and payment for, Offer Shares with Bonus Issue (as defined below):
- (a) the issue by way of open offer (the “**Open Offer**”) of not less than 140,034,226 shares (the “**Shares**”) of HK\$0.50 each in the share capital of the Company and not more than 210,051,339 Shares (the “**Offer Shares**”) to the Shareholders whose names appear on the register of members of the Company on 26 November 2013 (excluding those Shareholders (the “**Prohibited Shareholders**”) with registered addresses outside Hong Kong whom the board of directors (the “**Directors**”) of the Company consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those overseas Shareholders reside) on the basis of two (2) Offer Shares for every three (3) Shares then held (with bonus shares (the “**Bonus**

NOTICE OF EGM

Shares") in the proportion of two (2) Bonus Shares for every three (3) Offer Shares taken up under the Open Offer (the "**Bonus Issue**") and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 18 October 2013 despatched by the Company to the Shareholders (a copy of which had been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) be and is hereby approved;

- (b) the Directors be and are hereby authorised to allot and issue the Offer Shares and not less than 210,051,339 Bonus Shares and not more than 266,357,676 Bonus Shares pursuant to and in connection with the Open Offer with Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Prohibited Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (c) the Underwriting Agreement and the transactions contemplated thereby (including but not limited to the arrangement for the taking up of the unsubscribed Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified; and
- (d) any one or more of the Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer with Bonus Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer with Bonus Issue, the Underwriting Agreement and the transactions contemplated thereunder."

NOTICE OF EGM

3. (a) To re-elect Mr. Wu Wenbei as executive Director;
- (b) To re-elect Ms. Lin Yan Jenny as executive Director;
- (c) To re-elect Mr. Wong Chun Hung as executive Director; and
- (d) To re-elect Ms. Lam Yuk Ying, Elsa as independent non-executive Director.

By the order of the Board
TLT Lottotainment Group Limited
Lin Yan Jenny
Executive Director

Hong Kong, 18 October 2013

Registered Office and principal place of business:

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

Notes:

1. A member entitled to attend and vote at the EGM 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 EGM 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 EGM is enclosed with the circular of the Company dated 18 October 2013. Whether or not you intend to attend the EGM 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 EGM 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such joint holders may vote at the EGM, 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 EGM 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 EGM shall be taken by poll.