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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)**

### **ISSUE OF HK\$50 MILLION CONVERTIBLE BONDS AND GRANT OF SPECIFIC MANDATE**

#### **ISSUE OF CONVERTIBLE BONDS**

The Company is pleased to announce that on 8 August 2011 (after trading hours), the Company entered into Subscription Agreement with the Subscriber, under which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bonds to be issued by the Company in an aggregate principal amount of HK\$50 million.

The Company will issue the Conversion Shares to the Subscriber upon the exercise of the conversion rights attached to the Convertible Bonds at the Conversion Price. For illustration purposes only, assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.06 per Conversion Share, a total of 833,333,333 Conversion Shares will be allotted and issued, representing (1) approximately 53.6% of the issued share capital of the Company as at the date of this announcement; and (2) approximately 34.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares upon allotment and issue will rank pari passu with all the then existing issued Shares. The Company will seek the grant of the Specific Mandate from the Shareholders at the EGM to allot and issue the Conversion Shares.

The proceeds from the issue of the Convertible Bonds, net of the expenses, are estimated to be approximately HK\$49.6 million which are intended to be used for (i) general working capital of the Group; (ii) financing the Proposed Acquisition; and (iii) future investment of the Group when suitable investment opportunities arise.

Completion is subject to the satisfaction and/or waiver of the conditions precedent as set out in the Subscription Agreement. Please refer to the paragraphs headed “Conditions of the Subscription and Completion” below for further information. **As the Subscription may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **THE SUBSCRIPTION AGREEMENT**

Date: 8 August 2011

Parties:

- (a) the Company, being the issuer; and
- (b) the Subscriber, being the subscriber.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its associates are Independent Third Parties.

### **Information on the Subscriber**

The Subscriber is a corporate investor and a money lender as defined under the Money Lenders Ordinance (Cap. 163), namely Sun Finance Co., Ltd. Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for the Convertible Bonds in the principal amount of HK\$50 million. As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber do not have any shareholding in the Company.

### **Conditions of the Subscription and Completion**

Completion is conditional upon the following conditions being fulfilled (or waived) at or before 4:00 p.m. (Hong Kong time) on 7 November 2011, (or such later time and date as the Subscriber and the Company shall agree in writing):

- (a) the Listing Committee of the Stock Exchange granting approval of the issue of the Convertible Bonds (if required) and the listing of, and permission to deal in, the Conversion Shares falling to be issued on the exercise of the Conversion Rights attaching to the Convertible Bonds either unconditionally or subject to conditions to which the Subscriber and the Company may accept (both acting reasonably);
- (b) no event having occurred or occurring which would constitute an Event of Default (as defined in the Instrument) had the Convertible Bonds been issued;
- (c) the Company being satisfied, from the date of the Subscription Agreement and at any time before Completion, that the warranties given by the Subscriber under the Subscription Agreement remain true and accurate in all material respects, and not misleading nor in breach in any material respect,
- (d) all consents, approvals, authorisation and permits required to be obtained on the part of the Company in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

- (e) all consents, approvals, authorisation, and permits required to be obtained on the part of the Subscriber in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (f) the Subscriber being satisfied, from the date of the Subscription Agreement and at any time before Completion, that the warranties given by the Company under the Subscription Agreement remain true and accurate in all material respects, and not misleading nor in breach in any material respect.

If any of the above conditions are not fulfilled (unless waived by the Company in the case of the conditions precedent (c) above and/or waived by the Subscriber in the case of the conditions precedent (f) above) at or before 4:00 p.m. (Hong Kong time) on 7 November 2011, or such later time or date as may be agreed between the Subscriber and the Company in writing, any of the parties to the Subscription Agreement may, at any time thereafter, terminate its obligations under the Subscription Agreement by notice in writing to the other parties, whereupon the obligations of the Company and the Subscriber under the Subscription Agreement shall forthwith cease and terminate and neither the Company nor the Subscriber shall have any claim against any of the others, save for any antecedent breach thereof.

Completion shall take place on the date after the last of the conditions has been fulfilled (or waived by the Company in case of condition precedent (c) above and/or the Subscriber in the case of the condition precedent in (f) above) (or such later time and date as the Subscriber and the Company may agree in writing).

### **Principal terms of the Convertible Bonds**

The principal terms of the Convertible Bonds are summarised as follows:

Issuer	:	The Company
Principal amount	:	HK\$50 million
Issue price	:	100% of the principal amount of the Convertible Bonds
Denomination	:	The Convertible Bonds will be in denominations of HK\$1,000,000 each

- Maturity : Six months from the Issue Date or 12 months after the Issue Date (as the case maybe), at the discretion of the Company, if that is not a Business Day, the First Business Day thereafter.
- Status : The obligations of the Company arising under the Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. No application shall be made for a listing of the Convertible Bonds.
- Interest : 18% per annum on the outstanding principal amount of the Convertible Bonds calculated from the Issue Date to and including the Maturity Date calculated and compounded on annual basis, payable in arrears on the Maturity Date upon the redemption of the Convertible Bonds.
- Conversion price : The initial Conversion Price (subject to adjustment) for each Conversion Share to be paid by the Bondholder(s) upon exercising of the conversion rights attaching to the Convertible Bonds shall be HK\$0.06 which represents:
- (i) a discount to approximately 36.8% over the closing price of HK\$0.095 per Share as quoted on the Stock Exchange on the Last Trading Day;
  - (ii) a discount to approximately 41.2% over the average of the closing prices of HK\$0.102 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
  - (iii) a discount to approximately 42.3% over the average of the closing prices of HK\$0.104 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

The Conversion Price is subject to adjustments from time to time on the occurrence of certain events in accordance with the provision of the Instrument constituting the Convertible Bonds, including, among others, consolidation, subdivision, capitalisation of profits or reserves, capital distribution, rights issue at a price which is less than 80% of the market price, issue for cash of securities which are convertible into or exchangeable for or carry rights of subscription for new Shares or modification of rights of conversion or exchange or subscription attached to such securities such that the total effective consideration per share initially receivable for such securities is less than 80% of the market price, issue Shares for cash or acquisition of assets at a price per Share which is less than 80% of the market price.

The initial Conversion Price of HK\$0.06 was determined after arm's length negotiations among the Company and the Subscriber, having considered the market condition, the recent share price performance of the Shares and liquidity of the Shares.

- Reset mechanism : The Conversion Price will be reset every 2 succeeding months after the Issue Date (the “**Reset Date**”) if the arithmetic average of the closing price per Share for each day during the period of thirty (30) consecutive trading days immediately prior to the Reset Date is less than the Conversion Price in effect on the Reset Date (taking into account any adjustments which may have occurred prior to the Reset Date) and the Conversion Price shall be adjusted to a price equivalent to 60% of the then Conversion Price with effect from the Reset Date.
- Conversion : The Bondholder(s) shall have the right to convert, at any time during the period commencing after the thirtieth date from the Issue Date and ending on the date that falls on the tenth day immediately before the Maturity Date, both dates inclusive (the “**Conversion Period**”) the Convertible Bonds in amounts not less than a whole multiple of HK\$1,000,000 on such conversion, unless the outstanding principal amount of the Convertible Bond held by a Bondholder is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds at the Conversion Price.

No fraction of a Share will be issued on conversion of the Convertible Bonds. Fractional entitlements shall be ignored and any sum paid shall be retained by the Company for its own benefit.

The Bondholder(s) shall only exercise the right of conversion and the Company will issue any Conversion Shares to the extent that the public float of the Company will not be less than 25% immediately after such conversion.

- Redemption : (1) On the Maturity Date, the outstanding amount of the Convertible Bonds will be redeemed by the Company at a redemption amount that provide the Bondholder(s) with a return of 18% per annum calculated from the Issue Date to and including the Maturity Date calculated and compounded on annual basis.
- (2) Upon the occurrence of (i) delisting of the Shares; or (ii) Change of Single Largest Shareholder, the Bondholder(s) can require the Company to redeem the Convertible Bonds, in whole or in part, at the accreted principal amount, being the principal amount plus a yield accrued at 18% per annum on a compound basis on the principal amount of the Convertible Bonds (the “**Accreted Principal Amount**”).
- (3) Upon the occurrence of an Event of Default as set out in the terms of the Convertible Bonds, the Bondholder(s) can require the Company to redeem the Convertible Bonds, in whole or in part, at the Accreted Principal Amount.
- Voting rights : Before conversion of the Convertible Bonds, the Bondholder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholder(s).
- Listing : The Convertible Bonds will not be listed on the GEM of the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds.
- Transferability : Save that none of the Convertible Bonds may be transferred to a connected person without consent from the Stock Exchange, the Convertible Bonds may be transferable in whole multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof) and may be transferred to any person.

## **PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES**

Under the Subscription Agreement, the Company will issue the Conversion Shares to the Subscriber upon exercise of the conversion rights attached to the Convertible Bonds. The Conversion Shares will rank pari passu with all the then existing issued Shares. The Company will seek the grant of a Specific Mandate from the Shareholders at the EGM by way of a poll to allot and issue the Shares to satisfy the allotment and issue of the Conversion Shares. Pursuant to the Instrument, the Company may have to allot and issue the Shares to satisfy the allotment and issue of the Conversion Shares at the Conversion Price which represents a discount more than 20% and therefore Specific Mandate is sought.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the provision of internet e-gaming, render of travel agent services, entertainment programme production, events organisation and operation of an artist training school.

## **REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND THE USE OF PROCEEDS**

The Directors consider that the Subscription represents an opportunity to raise capital for the Company while enlarging the equity base of the Company. The Directors (including the independent non-executive Directors) consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and the Subscription Agreement is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

The gross proceeds raised from the Subscription will be approximately HK\$50 million. The proceeds from the issue of the Convertible Bonds, net of expenses, are estimated to be approximately HK\$49.6 million which are intended to be used for (i) general working capital of the Group, (ii) finance the Proposed Acquisition and (iii) future investment of the Group when suitable investment opportunities arise.

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not raised fund on any issue of other equity securities in the past 12 months immediately before the date of this announcement.

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds
8 September 2010	Top-up placing of 66,000,000 Shares	Approximately HK\$19,200,000	For the general working capital of the Group	Funds of around HK\$3.2 million and HK\$1 million out of the proceeds were respectively used as payment of operating expenses and repayment of other borrowing. Funds of around HK\$15 million were used for acquisition of 51% equity interest in Fountain City Holdings Limited.
30 December 2010	Top-up placing of 94,000,000 Shares	Approximately HK\$29,500,000	For financing possible future investments which may included the acquisition of up to 30% issued share capital of Galaxy Mount International Limited, should such transaction is consummated, repayment of bank and other borrowings and/or for general working capital purpose of the Group	Funds of around HK\$12.5 million and HK\$2.5 million out of net proceeds were used respectively as refundable deposit and earnest money for possible acquisition of up to 30% issued share capital of Galaxy Mount International Limited and the entire issued share capital of Dragon Gain Worldwide Limited. Furthermore, funds of approximately HK\$11.6 million and HK\$2.9 million have been respectively used for repayment of other borrowings and payment of operating expenses of the Group respectively.



<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of net proceeds</b>	<b>Actual use of proceeds</b>
18 January 2011	Top-up placing of 64,000,000 Shares	Approximately HK\$18,220,000	For financing possible future investments which may include acquisition of up to 30% issued share capital of Galaxy Mount International Limited or acquisition of not less than 20% issued share capital of a company engaged in the organization, production or management of stage drama in Mainland China and Asian region, should such transactions are consummated, for repayment of bank and other borrowings and/or for general working capital purposes of the Group	Funds of around HK\$13.5 million out of the net proceeds were used as refundable second deposit for possible acquisition of up to 30% issued share capital of Galaxy Mount International Limited. The remaining balance has been used for payment of operating expenses and repayment of other borrowings.
6 April 2011	Top-up placing of 100,000,000 Shares	Approximately HK\$28,700,000	For financing possible future investments which may include the acquisition of up to 30% of issued share capital of Galaxy Mount International Limited should such transaction is consummated, repayment of promissory notes, repayment of other borrowings and/or for general working capital purposes of the Group	Funds of around HK\$15 million and HK\$5 million out of the net proceeds were respectively used for early repayment of promissory notes and as refundable consultancy service deposit. Funds of HK\$5.5 million was used for payment as part of consideration for acquisition of 25% issued share capital of Galaxy Mount International Limited. The remaining balance was used for payment of professional fee and general operating expenses.

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds
29 April 2011	Top-up placing of 65,000,000 Shares	Approximately HK\$15,350,000	For financing possible future investments which may include the acquisition of up to 25% of issued share capital of Galaxy Mount International Limited, repayment of promissory notes, repayment of other borrowings and/or for general working capital purposes of the Group	Funds of around HK\$14.5 million and HK\$0.5 million out of the net proceeds were used respectively for payment as part of the consideration for acquisition of 25% issued share capital of Galaxy Mount International Limited and repayment of other borrowings. The remaining balance was used for payment of professional fee and general operating expenses.
4 August 2011	Top-up placing of 86,000,000 Shares	Approximately HK\$8,250,000	For financing future investment, repayment of promissory notes, repayment of other borrowings and/or for general working capital purpose of the Group	<i>Not yet completed</i>

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.06 per Conversion Share, a total of 833,333,333 Conversion Shares will be allotted and issued, representing (1) approximately 53.6% of the issued share capital of the Company as at the date of this announcement; and (2) approximately 34.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The following chart sets out the shareholding structure of the Company as at the date of this announcement and, assuming there is no other change in the issued share capital and shareholding structure of the Company from the date of this announcement, the shareholding structure of the Company immediately after the allotment and issue of the maximum number of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price (the “**Convertible Bonds Full Conversion**”) and the Placing as announced on 4 August 2011.

	As at the date of this announcement		Shareholding immediately after the allotment and issue of the maximum number of the Conversion Shares upon full conversion of the Convertible Bonds and the Placing	
	Shares	approximate %	Shares	approximate %
<b>Substantial Shareholder and Director:</b>				
Mr. Luk Wing Kwong, Quintin	250,138,000	16.08	250,138,000	10.11
Chan Kin Yip <sup>1</sup>	1,000,000	0.06	1,000,000	0.04
<b>Public Shareholders</b>				
The Subscriber	–	–	833,333,333	33.68
The placees <sup>2</sup>	–	–	86,000,000	3.48
Other public shareholders	<u>1,304,039,848</u>	<u>83.86</u>	<u>1,304,039,848</u>	<u>52.69</u>
Sub-total	<u>1,304,039,848</u>	<u>83.86</u>	<u>2,223,373,181</u>	<u>89.85</u>
Total	<u>1,555,177,848</u>	<u>100.00</u>	<u>2,474,511,181</u>	<u>100.00</u>

<sup>1</sup> Mr. Chan Kin Yip is an executive Director.

<sup>2</sup> Proposed to be issued pursuant to the top-up placing and subscription agreements dated 4 August 2011.

## **GENERAL**

Completion is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances.

**As the Subscription Agreement may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“associate(s)”	:	has the meaning ascribed to it under the GEM Listing Rules
“Board”	:	the board of Directors
“Bondholder(s)”	:	holder(s) of the Convertible Bond(s)
“Business Day”	:	a day on which the Stock Exchange is open for trading in Hong Kong
“Change of Single Largest Shareholder”	:	occurs when Mr. Luk Wing Kwok ceases to be the single largest Shareholder
“Company”	:	TLT Lottotainment Group Limited (Stock Code: 8022), a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the GEM of the Stock Exchange
“Completion”	:	completion of the Subscription
“connected person”	:	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	:	the initial conversion price of HK\$0.06 (subject to adjustment) per Conversion Share upon conversion of the Convertible Bonds
“Conversion Share(s)”	:	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	:	the 18% convertible bonds due 2012 in an aggregate principal amount of HK\$50 million to be issued by the Company pursuant to the Subscription Agreement and to be created by the Instrument constituting such Bonds, or any part of the principal amount
“Directors”	:	the directors of the Company
“EGM”	:	The extraordinary general meeting of the Company to be convened to approve the Subscription Agreement
“Event(s) of Default”	:	Customary event(s) of default set out in the Instrument

“Existing Bonds”	:	means (i) the zero coupon convertible bond(s) due 2013 in the aggregate principal amount of HK\$28,080,000 carrying right to convert into new Shares at the initial conversion price of HK\$0.28 per Share
“GEM”	:	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	:	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	:	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company and the directors, chief executive, substantial shareholders and controlling shareholders of the Company or any of its subsidiaries or their respective associate(s)
“Instrument”	:	the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bonds
“Issue Date”	:	the date of the Completion and issue of HK\$5,000,000 in principal amount of the Bonds under the Instrument
“Issue Price”	:	the issue price of the Convertible Bonds, which shall be 100% of the principal amounts of the Convertible Bonds
“Last Trading Day”	:	8 August 2011 being the last trading day of the Shares immediately prior to the date of this announcement
“Maturity Date”	:	the maturity date of the Convertible Bonds, which being the date immediately following 6 months after the Issue Date or 12 months after the Issue Date (as the case maybe), at the discretion of the Company, if that is not a Business Day, the first Business Day thereafter
“Options”	:	Options granted by the Company pursuant to the share option scheme of the Company adopted on 9 May 2011

- “Placing” : the placing of up to 86,000,000 placing shares beneficially owned by Mr. Luk Wing Kwong, Quintin by QSB (HK) pursuant to the Placing Agreement
- “Placing Agreement” : a placing agreement between Mr. Luk Wing Kwong, Quintin, the Company and QSB (HK) dated 4 August 2011 in relation to the Placing
- “Proposed Acquisition” : the Group’s proposed acquisition of 51% equity interest in a company incorporated in the British Virgin Islands with limited liability as disclosed in the announcement of the Company dated 5 August 2011
- “Share(s)” : ordinary share(s) of HK\$0.01 each in the share capital of the Company
- “Shareholder(s)” : holder(s) of the issued Shares
- “Specific Mandate” : the specific mandate in relation to the issue and allotment of the Conversion Shares to be granted by the Shareholders at the EGM
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Subscriber” : Sun Finance Co., Ltd., an Independent Third Party, being the Subscriber under the Subscription Agreement
- “Subscription” : the subscription of the Convertible Bonds at the Issue Price pursuant to the Subscription Agreement
- “Subscription Agreement” : the conditional subscription agreements entered into between the Company and the Subscriber dated 8 August 2011 in respect of the Subscription
- “%” : per cent.

By order of the Board  
**TLT LOTTOTAINMENT GROUP LIMITED**  
**Cheung Man Yau, Timothy**  
*Chief Executive Officer and Executive Director*

Hong Kong, 8 August 2011

*As at the date of this announcement, the executive Directors of the Company are Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Lai Chun Hung; and the independent non-executive Directors of the Company are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.*

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

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