

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in TLT Lottotainment Group Limited (the "Company"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer 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)

**ISSUE OF HK\$50 MILLION CONVERTIBLE BONDS
AND
PROPOSED SHARE CONSOLIDATION
AND
CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
PROPOSED APPOINTMENT OF DIRECTOR**

A notice convening an extraordinary general meeting of the Company (the "EGM") to be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Tuesday, 18 October 2011 at 11:30 a.m. is set out on pages 29 to 31 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and 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 will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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

3 October 2011

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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 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.

DEFINITIONS

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

“Announcements”	together, the First Announcement and the Second Announcement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder”	holder(s) of the Convertible Bond(s)
“Business Day”	a day on which the Stock Exchange is open for trading in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in the board lot size from 2,000 Shares to 5,000 Consolidated Shares upon the Share Consolidation becoming effective
“Change of Single Largest Shareholder”	occurs when Mr. Luk Wing Kwong, Quintin 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
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company after the Share Consolidation having become effective
“Conversion Price”	the initial conversion price of HK\$0.30 (subject to adjustment) per Conversion Share upon conversion of the Convertible Bonds
“Conversion Share(s)”	new Consolidated Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the convertible bonds 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 (the principal terms of the convertible bonds are set out in the Announcements)
“Deed of Assignment”	the deed of assignment by way of security over the Promissory Note to be executed by the holder of the Promissory Note in favour of the Subscriber as security for the Convertible Bonds
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if appropriate, approve the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the Share Consolidation and the proposed appointment of director and the matters contemplated thereunder
“Event of Default”	customary event(s) of default set out in the Instrument
“Existing Bonds”	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
“First Announcement”	announcement of the Company dated 8 August 2011 in relation to the issue of the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 the Convertible Bonds under the Instrument
“Issue Price”	the issue price of the Convertible Bonds, which shall be 100% of the principal amount of the Convertible Bonds
“Latest Practicable Date”	30 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Maturity Date”	six months after the Issue Date or extended, at the discretion of the Company by the service of the Company to the Bondholder of not less than 14 days’ advance written notice, to the date falling 12 months from the Issue Date
“Options”	options granted by the Company pursuant to the Share Option Scheme
“Promissory Note”	the promissory note dated 15 April 2011 in the principal amount of HK\$106,222,355 issued by the Company in favour of Premier Capital Enterprises Limited
“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 27 April 2011
“Second Announcement”	announcement of the Company dated 23 August 2011 in relation to the issue of the Convertible Bonds

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company (before the completion of the Share Consolidation) or ordinary share(s) of HK\$0.05 each in the share capital of the Company (after the completion of the Share Consolidation) (as the case may be)
“Shareholder(s)”	holder(s) of issued Shares or Consolidated Shares (as the case may be)
“Share Consolidation”	the proposed consolidation of every five Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one Consolidated Share of HK\$0.05 each in the issued and unissued share capital of the Company as referred to in the paragraph headed “Proposed Share Consolidation”
“Share Option Scheme”	the share option scheme of the Company adopted on 9 May 2011
“Specific Mandate”	the specific mandate in relation to the allotment and issue 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
“Subscription”	the subscription of the Convertible Bonds at the Issue Price pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement (as supplemented by the Supplemental Subscription Agreement) entered into between the Company and the Subscriber dated 8 August 2011 in respect of the Subscription
“Supplemental Subscription Agreement”	the conditional supplemental subscription agreement entered into between the Company and the Subscriber dated 23 August 2011 to amend certain terms of the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is set out below:

Despatch of the circular regarding, among other things, the Share Consolidation Monday, 3 October 2011

Latest time for lodging proxy forms for the EGM 11:30 a.m., on Sunday, 16 October 2011

Date and time of the EGM 11:30 a.m. or sooner after the conclusion of the EGM, on Tuesday, 18 October 2011

Publication of the poll results of the EGM Tuesday, 18 October 2011

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation

The Share Consolidation becomes effective Wednesday, 19 October 2011

Free exchange of existing certificates for the Shares for new certificates (“**New Share Certificates**”) for the Consolidated Shares commences 9:00 a.m., Wednesday, 19 October 2011

Dealings in the Consolidated Shares commence 9:00 a.m., Wednesday, 19 October 2011

Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes 9:00 a.m., Wednesday, 19 October 2011

Temporary counter for trading in board lots of 400 Consolidated Shares in the form of certificates of existing Shares (“**Existing Share Certificates**”) opens 9:00 a.m., Wednesday, 19 October 2011

Original counter for trading in Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of New Share Certificates) reopens 9:00 a.m., Wednesday, 2 November 2011

EXPECTED TIMETABLE

Parallel trading in the Consolidated Shares
(in the form of New Share Certificates and
Existing Share Certificates) commences 9:00 a.m., Wednesday,
2 November 2011

Designated broker starts to stand in the market to
provide matching services for the sale and
purchase of odd lots of Consolidated Shares Wednesday, 2 November 2011

Temporary counter for trading in Consolidated Shares
in board lots of 400 Consolidated Shares
(in the form of Existing Share Certificates) closes 4:00 p.m., Tuesday,
22 November 2011

Parallel trading in the Consolidated Shares
(in the form of New Share Certificates and
Existing Share Certificates) ends 4:00 p.m., Tuesday,
22 November 2011

Designated broker ceases to stand in the market to
sell and purchase odd lots of Consolidated shares Tuesday, 22 November 2011

Free exchange of Existing Share Certificates for
New Share Certificates ends 4:30 p.m., Thursday,
24 November 2011

Note: All times and dates refer to Hong Kong local times and dates

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Consolidation and the associated trading arrangements as aforesaid.



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. Cheung Man Yau, Timothy (*Chief Executive Officer*)
Mr. Chan Kin Yip
Ms. Cheng Sze Man

Registered office:

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

Independent Non-executive Directors:

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

3 October 2011

To the Shareholders

Dear Sir/Madam,

**ISSUE OF HK\$50 MILLION CONVERTIBLE BONDS
AND
PROPOSED SHARE CONSOLIDATION
AND
CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING
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PROPOSED APPOINTMENT OF DIRECTOR**

INTRODUCTION

Reference is made to the Announcements relating to, among other things, the issue of HK\$50 million Convertible Bonds, the proposed Share Consolidation and change in board lot size.

The purpose of this circular is to provide you with further details of (i) the Subscription; (ii) proposed Share Consolidation; (iii) change in board lot size; (iv) the notice of EGM and (v) proposed appointment of director.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT AND THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT

Date: 8 August 2011 and 23 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 Latest Practicable Date, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its ultimate owners do not have any shareholding in the Company and the Subscriber and its ultimate owners do not have any previous transactions with the Group or any of the vendors of the Previous Transactions (as defined hereunder) entered into with the Company as disclosed in the previous announcements of the Company.

Independence of the vendors of the previous transactions and the Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners and associates are Independent Third Parties. It is submitted that each of the vendors of the previous transactions as announced on 26 January 2011, 16 February 2011, 25 March 2011, 30 March 2011, 25 May 2011, 4 August 2011 (the "**Previous Transactions**"), which are all discloseable transactions, are all Independent Third Parties to each other and to the Company. The Subscriber and its ultimate beneficial owners do not have any previous transaction with the Company or its subsidiaries. Further, the Subscriber and its ultimate beneficial owners are Independent Third Parties to each of the vendors of the Previous Transactions and the Proposed Acquisition and, to the Company. As at the Latest Practicable Date, the Subscriber and its ultimate beneficial owners do not hold any Shares or other securities in the Company and are not acting in concert with any of the Shareholders.

LETTER FROM THE BOARD

No change in existing business of the Group

The Group wishes to continue its travel agent and entertainment programme production business, with an intention to further expand and develop the same when opportunities arise. The Group and the Board currently have no other agreement, undertaking, negotiation nor intention to dispose of or downsize or terminate the existing business or to acquire any other business which is not in the line with the existing business of the Group.

Reasons for Previous Transactions

As disclosed in the Company's annual report for the two years ended 31 December 2010, in the view of the low level of gross profit of approximately HK\$3.47 million and HK\$2.46 million, the Group intended to apply the proceeds obtained from the Subscription to broaden and diversify its income stream to improve its operating results as disclosed in the Announcements.

The Group is principally engaged in the rendering of travel agent services, entertainment programme production, events organization and operation of an artist training school. The reasons for entering into the previous transactions were merely to diversify the income source and introduce additional income stream to the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an associate company of Sun Entertainment Group Limited. Sun Entertainment Group Limited is a wholly-owned subsidiary of Sun International Resources Limited (Stock Code: 8029). Sun Entertainment Group Limited is a company incorporated in Hong Kong and is principally engaged in entertainment businesses which include film production and model management businesses and it started to produce or co-financed film production business since 2008, such as the films "Poker King" and "La Lingerie" and Sun Entertainment Group Limited has invested in the Cyril Takayama's Magic Show "Cyril Believe Tour In Hong Kong 2010" held at Star Hall in Kowloon Bay.

Information on the holder of Promissory Note

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Premier Capital Enterprises Limited (the "**Premier Capital**") is independent from the Subscriber. As Premier Capital is the holder of the Promissory Note and the holder of convertible bonds of the Company, it is the major creditor of the Company. Premier Capital agreed on the Deed of Assignment by way of security over the Promissory Note in favour of the Subscriber is a supportive commitment of endorsing the Group's business strategy and future development plans in return of the prospect of high profit potential and the ability of repayment by the Group had the issue of the Convertible Bonds been materialized.

LETTER FROM THE BOARD

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;
- (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; and
- (g) the Share Consolidation having become effective.

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.

LETTER FROM THE BOARD

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 extended, at the discretion of the Company by the service of the Company to Bondholder of not less than 14 days' advance written notice, to the date falling 12 months from the Issue Date.
Status	:	The obligations of the Company arising under the Convertible Bonds constitute direct, general, unconditional, unsubordinated and secured 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.

LETTER FROM THE BOARD

Conversion price : The initial Conversion Price (subject to adjustment) for each Conversion Share to be paid by the Bondholders upon exercising of the conversion rights attaching to the Convertible Bonds shall be HK\$0.30, which represents:

- (i) for illustration purposes only and assuming Share Consolidation has become effective, a discount of approximately 28.57% to the closing price of HK\$0.42 per Consolidated Share as quoted on the Stock Exchange on the last day of trading in the Shares on the GEM;
- (ii) for illustration purposes only and assuming Share Consolidation has become effective, a discount of approximately 23.66% to the average of the closing prices of HK\$0.393 per Consolidated Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last day of trading in the Shares on the GEM; and
- (iii) for illustration purposes only and assuming Share Consolidation has become effective, a discount of approximately 25.74% to the average of the closing prices of HK\$0.404 per Consolidated Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last day of trading in the Shares on the GEM.

LETTER FROM THE BOARD

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\$0.30 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 two 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), the Conversion Price shall automatically be adjusted to a price equivalent to such arithmetic average of the closing price per Share (the "**Reset Conversion Price**") with effect from the Reset Date provided always that in the event that the Reset Conversion Price calculated based on the terms and conditions of the Instrument shall be less than HK\$0.18 (being 60% of the initial Conversion Price), the Reset Conversion Price shall be equal to and taken as HK\$0.18 and there would be no further resets to the Conversion Price under the terms and conditions of the Instrument during the remainder the Conversion Period.

LETTER FROM THE BOARD

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 Bonds 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.

LETTER FROM THE BOARD

- Voting rights : Before conversion of the Convertible Bonds, the Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholders.
- Listing : The Convertible Bonds will not be listed on the GEM or any other stock exchange. An application will be made by the Company 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.
- Security : The performance of all obligations of the Company under the Convertible Bonds will be secured by the Deed of Assignment. The Deed of Assignment shall be discharged as soon as reasonably practicable upon the date on which (a) the first registered Bondholder ceases to be a Bondholder; or (b) the Subscriber exercise any conversion rights attached to the Convertible Bonds; or (c) upon settlement in full by the Company the outstanding principal amount and the interest accrued thereof.
- Right to appoint a Director : the Subscriber has the right to nominate on executive Director for so long as the Subscriber remains as the first register holder of the Convertible Bonds and the Convertible Bonds remain outstanding.

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.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of travel agent services, operation of stage drama, entertainment programme production, events organisation and operation of an artist training school. The business strategy of the Group is to focus on cultural and entertainment businesses. With a view to maximising the profitability and enhancing the value for the Group, the Group will further expand its businesses by mergers and/or acquisitions with potential targets which are principally engaged in cultural, media and entertainment businesses. By implementing such business strategy, the Directors believe that the potential mergers and/or acquisitions would enable the Group to enjoy synergy effects and to further expand its existing businesses.

In this respect, the Group has been actively seeking investment potentials in similar businesses. In particular, the Group has identified and is now studying the possibilities of acquiring two investment projects which are engaged in media and production sectors, the details of which are set out below:

- (1) The first investment project is to acquire a target company based in Hong Kong (the “**Target Company I**”) which is engaged in marketing and media planning, program production and event management business. The Target Company I provides wide range of services including graphic design, marketing, media planning, program production and event management and it has a strong customer base. The Directors believe that with the industry knowledge of the Target Company I and its customer base, the Group will further enhance and diversify its business and contribute positively to the future development of the Group through the broadening of the income base of the Group and the synergy effects that would be brought by the common platform for further integration and business development between the Group’s existing businesses and the businesses of the Target Company I. The proposed acquisition of Target Company I is still in a preliminary stage and no formal agreement has been entered into or may ever be entered into.
- (2) The second investment project is to acquire a target company based in Singapore (the “**Target Company II**”) which is engaged in the design, production, logistic management, project management and trading of fashion apparels. The Directors believe that the extensive experience in the market and strong capabilities of the project management team of the Target Company II can further strengthen the Group’s project management businesses. The proposed acquisition of Target Company II is still in a preliminary stage and no formal agreement has been entered into or may ever be entered into.

The Directors believe that the synergy effects brought from the potential mergers and/or acquisitions of companies with similar businesses would enable the Group to leverage on its platform to further expand its entertainment and media businesses. Also, since the existing operation and the scale of the Group are relatively small in scale, it is expected the Group can reduce the marginal costs of operations and be financially benefit from potential synergies arising from the larger combined operations.

LETTER FROM THE BOARD

Further, the Directors are of the opinion that the potential investment plan for acquiring the Target Company I provides a good opportunity for the Group to participate in the advertising and media markets, which in turn not only enlarge the markets of the Group, but will also offer more job opportunities for any program production, television shows and events of the Target Company I to the contracted artists of the Group and the graduates from the artist school of the Group. Besides, if the acquisition of the Target Company I materialised, the Group would be in a better position to build up its own brand and networks to carry out its own marketing and promotional campaign upon launching of its stage dramas in the near future.

Further announcements would be made by the Group in relation of the above potential acquisitions as and when appropriate in compliance with the GEM Listing Rules.

Apart from the above investment projects, the Group is studying the possibilities of acquiring two more potential targets which are engaged in the music training and production businesses. Although the Group has not secured any concrete investment proposal as at the date of this circular, the Group is actively seeking potential investment opportunities as attained above, subject to the then market conditions and the negotiations for such potential investments. The proceeds of the issue of the Convertible Bonds may be used as general working capital and/or financing the Group's future business development.

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

The Directors believe that due to the rapid changing of capital and finance market, the credit supply is forecasted to be tightened in a foreseeable future. The Directors confirmed that they had approached at least three securities brokerage firms for other alternative fund raising exercises and they consider that the costs, the interest rates, the maturity dates and the other terms of the alternative fund raising exercises offered from the securities brokerage firms are less attractive than the Subscription. The Directors did not consider raising fund by way of pro-rata fund raising exercises rather than the Subscription because it is not considered to be cost effective to incur additional expenses i.e. interests and underwriting commissions.

The Group has recorded a low level of gross profit of approximately HK\$3.47 million and HK\$2.46 million for the two years ended 31 December 2010, which in turn, caused a prolonged decline in the Share price and thin trading volume. As a result, fund raising opportunities available to the Group are very limited and the Directors indeed consider that the Subscription is the best offer in view of the abovesaid and the current market conditions as there are various initial public offerings and fund raising activities have been put on hold in recent months.

LETTER FROM THE BOARD

Apart from the issue of the Convertible Bonds, alternative fund raising exercises including pro-rata fund raising, bank borrowings and debt financing offered from three banks have been considered. However, given the Group's unfavourable financial performance over the last financial years, fund raising comparable in size to the proceeds of the issue of Convertible Bonds by means of equity, bank borrowings or combination of any of these methods would be difficult and would probably incur significant expenses to the Group. Compare to the abovesaid, the issue of the Convertible Bonds is a relatively cost effective and time efficient fund raising activity. Therefore, the Directors are of the view that the Subscription is to the benefit of the Company and the Shareholders as a whole.

The Directors consider that funding requirement or appropriate investment opportunities may or may not be arise at any time prior to the next annual general meeting. If such opportunities arises prior to the next annual general meeting, decisions may have to be made within a limited period of time. The Directors therefore believe that the issue of the Convertible Bonds will provide the Group with flexibility in deciding the source of financing for any merger and/or acquisitions opportunities that may arise in the future. As such, the Directors consider that the Subscription represents an opportunity to raise capital for future investments with high yield potential and to strengthen the financial position of the Group 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.

The Directors consider that the Subscription Agreement and its terms (including the Reset Conversion Price and initial conversion price) are fair and reasonable and the Subscription and its terms (including the Reset Conversion Price and initial conversion price) are in the interests of the Company and the Shareholders as a whole due to the reason that the fund raising exercises of the Company in the past 12 months are to strengthen the financial position and the cash flow of the Group as a whole and to finance the Proposed Acquisition which subsequently terminated on 5 August 2011. As the Group is now implementing a new business strategy focusing on cultural and entertainment businesses, the issue of the Convertible Bonds will be beneficial to the implementation of the new business strategy of the Company with satisfactory return.

In view of the above reasons, the Directors consider that the issue of the Convertible Bonds is fair and reasonable and 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 will be used for financing (i) the subscription for JV Company Shares (as defined in the announcement made by the Company on 25 August 2011) at a consideration of approximately HK\$1.5 million, details of which have been set out in the announcement made by the Company on 25 August 2011; (ii) acquisition and investment within the scope of major business of the Group when suitable opportunity arises; and (iii) the general working capital of the Group, including but not limited to the operation and/or expansion of the Group's existing operating business.

LETTER FROM THE BOARD

It is estimated that about HK\$53 million will be applied in the fourth quarter of this year for potential acquisitions which may be funded by the net proceed from the issue of the Convertible Bonds and the refundable deposit as announced on 12 August 2011. The Directors believe that with this standby resources of the Group generated from the issue of the Convertible Bonds would make the Company in a better position to negotiate potential acquisitions with flexibility and to capture investment opportunities in an efficient manner.

Further, the existing businesses of stage drama and artist training school are in their final stage of preparation and are scheduled to commence business in October 2011. It is expected that the Group will incur operating expenses of approximately HK\$5 million mainly for paying the deposit for leasing performance halls, production of costumes for performance artists, production of performance stage and marketing. Further, it is expected that a budget of approximately HK\$5 million will be applied for acquiring and leasing of studio sound and film engineering equipment and furniture for the Group's artist training school in Macau.

The Group estimated that there is a further expenditure of approximately HK\$23.5 million will be incurred for the fourth quarter of 2011, representing (i) approximately HK\$14 million for operating and administrative expenses; (ii) approximately HK\$2 million for operating costs for the Group's artist training school in Macau; and (iii) HK\$7.5 million for operating costs for stage drama to be launched in Beijing in October 2011.

REASONS FOR CONVERSION PRICE RESET MECHANISM

The adjustment mechanism was commercially agreed and arrived at after arm's length negotiations between the Subscriber and the Company. The Directors consider that the inclusion of such adjustment mechanism in the Subscription Agreement would serve and preserve both the interests of the Subscriber and the Company.

The Directors consider that the adjustment mechanism would attract the Subscriber to convert the Convertible Bonds into Conversion Shares because the adjustment mechanism would, in effect bring the conversion price in line with the then current market price. As mentioned before, the Group considers that the Subscriber could add strategic values to our Group had they converted the Convertible Bonds into Conversion Shares and became the Shareholders. Given that the ultimate beneficial owners of the Subscriber is also engaged in entertainment businesses which include film production and model management businesses, such as the films "Poker King" and "La Lingerie" and it has also invested in the Cyril Takayama's Magic Show "Cyril Believe Tour In Hong Kong 2010" held at Star Hall in Kowloon Bay. In that case, the Directors believe that the Group could benefit from the synergy effects brought by the Subscriber.

LETTER FROM THE BOARD

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 Latest Practicable Date.

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.
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.

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds
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 were used for payment as part of consideration for acquisition of 25% issued share capital of Galaxy Mount International Limited. Funds of around HK\$338,000 were used for payment of legal fees. Funds of around HK\$1,398,000 were used as financial advisory service fee and consultancy fee. Funds of around HK\$961,000 were used for payment of accrued salary for Mr. Wong Wai Sing upon his resignation. Funds of around HK\$258,000 were used for payment of salaries in April. The remaining balance was used for payment of other professional fees.
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 of approximately HK\$350,000 was used for payment of salaries in May.
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	Funds of around HK\$2.4 million and HK\$1.9 million were used respectively for operation of stage drama and for system development (Note 1). Funds of HK\$1.5 million and HK\$1.2 million were used respectively as capital contribution for a new joint venture company as announced on 25 August 2011 and as payment of general operating expenses including legal and professional assurance service costs, printer costs and salary. The remaining balance has not yet been used and will be used for general operating expenses purpose.

Note 1: “system development” means a real-time online booking and ticketing system through mobile, internet and e-payment system. It is currently used for the Group’s stage drama project for tickets booking and is expected to be used by the Group’s future projects (e.g. music concert) in which online ticketing is required.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.30 per Conversion Share, a total of 166,666,666 Conversion Shares will be allotted and issued and will represent (1) approximately 50.78% of the issued share capital of the Company as at the date of the Share Consolidation has become effective (assuming there is no other change in the issued share capital of the Company and shareholding structure of the Company as at the Latest Practicable Date); and (2) approximately 33.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company and shareholding structure of the Company as at the Latest Practicable Date to the Share Consolidation has become effective).

The following chart sets out: (1) the shareholding structure of the Company as at the Latest Practicable Date (assuming the Share Consolidation has become effective); and (2) assuming there is no other change in the issued share capital and shareholding structure of the Company as at the Latest Practicable Date, 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; and (3) assuming there is no other change in the issued share capital of the Company and the shareholding structure of the Company as at the Latest Practicable Date, 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 minimum Conversion Price of HK\$0.18 per Conversion Share.

LETTER FROM THE BOARD

	As at the Latest Practicable Date <i>Shares approximate%</i>		Immediately after the allotment and issue of the maximum number of the Conversion Shares upon full conversion of the Convertible Bonds <i>Shares approximate%</i>		Immediately after the allotment and issue of the maximum number of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK\$0.18 per Conversion Share <i>Shares approximate%</i>		
Substantial Shareholders and Director:							
Mr. Luk Wing Kwong, Quintin	53,736,800	16.37	53,736,800	10.86	53,736,800	8.87	
Chan Kin Yip (<i>Note 1</i>)	200,000	0.06	200,000	0.04	200,000	0.03	
Best Investments (Far East) Limited (<i>Note 2</i>)	6,440,000	1.96	6,440,000	1.30	6,440,000	1.06	
Public Shareholders							
The Subscriber (<i>Note 3</i>)	-	-	166,666,666	33.68	277,777,777	45.84	
Other public shareholders	<u>267,858,769</u>	<u>81.61</u>	<u>267,858,769</u>	<u>54.12</u>	<u>267,858,769</u>	<u>44.20</u>	
	<u>328,235,569</u>	<u>100.00</u>	<u>494,902,235</u>	<u>100.00</u>	<u>606,013,346</u>	<u>100.00</u>	

Note 1: Mr. Chan Kin Yip is an executive Director.

Note 2: Best Investments (Far East) Limited is a company wholly owned by Mr. Luk Wing Kwong, Quintin.

Note 3: Upon exercise in full of the conversion rights attached to the Convertible Bonds, the Subscriber will be interested in approximately 33.68% (assuming the Conversion Price being HK\$0.30) or approximately 45.84% (assuming the Conversion Price being HK\$0.18) of the total issued share capital of the Company and will become the Company's controlling Shareholder and thereby trigger off a mandatory offer obligation under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). In such event, the Subscriber would comply with the relevant provisions of the Takeovers Code as and when appropriate.

CHANGE OF BOARD COMPOSITION

The Subscriber intends to nominate Mr. Lee Chi Shing, Caesar as executive Director and such appointment will take effect upon Completion subject to Shareholders' approval at EGM. Further announcement will be made once the appointment of the executive Director is confirmed upon Completion.

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Set out below are the biographical details of the proposed executive Director to be nominated by the Subscriber:

Mr. Lee Chi Shing, Caesar

Mr. Lee Chi Shing, aged 48, obtained a Professional Diploma in Accountancy from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1985 and a Bachelor of Arts in Business Studies from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) in 1994. He had worked in the Inland Revenue Department for over 15 years after his graduation. In 2000, he joined Ernst and Young, an international accounting firm, as a senior manager. He later obtained a Master degree in International Accountancy from the City University of Hong Kong in 2001. He was an executive director of Tanrich Financial Holdings Limited, a company listed on the main board of the Stock Exchange, from 1 November 2004 to 29 June 2005. He was also an executive director of Info Communication Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, from 23 November 2007 to 1 September 2010. He has been the executive director of Sun International Resources Limited, a company listed on the GEM of the Stock Exchange, and Hong Long Holdings Limited, a company listed on the main board of the Stock Exchange, since 14 August 2006 and 30 September 2010 respectively. He is experienced in corporate management and internal control. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. In addition, he is a member of the Society of Registered Financial Planners.

Mr. Lee has yet to enter into a service contract with the Company and his annual emolument is yet to be determined by the Board, but he is subject to retirement by rotation and re-election by the Shareholders pursuant to the articles of the Company. The Board will make further announcement once the terms of appointment and annual emolument of Mr. Lee has been determined or any service contract has been entered into.

Save as disclosed above, (i) Mr. Lee has no position held with the Group; (ii) Mr. Lee does not have any relationship with directors, senior management, substantial or controlling shareholders of the Company; (iii) as at the date of this Circular, Mr. Lee does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance; and (iv) there is no other matters relating to his appointment that need to be brought to the attention of the shareholders of the Company and no other information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

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

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, of which 1,641,177,848 Shares had been issued and are fully paid or credited as fully paid. Save for the Options and the Convertible Bonds, the Company had no outstanding warrants, convertibles, options or derivatives and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date. The Company will adjust the number and/or the exercise price of the Options upon the Share Consolidation becoming effective. A further announcement will be made by the Company regarding the required adjustments in due course.

The Board proposes to consolidate every five existing issued and unissued Share of HK\$0.01 each into one Consolidated Shares of HK\$0.05. Upon the Share Consolidation becoming effective, the authorised share capital of the Company will be HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares, of which 328,235,569 Consolidated Shares will be in issue and fully paid or credited as fully paid, assuming that no further Shares will be issued or repurchased after the date of this circular and prior to the Share Consolidation becoming effective.

The Consolidated Shares will rank *pari passu* in all respects with each other. An application will be made by the Company to the Stock Exchange for listing of, permission to deal in, the Consolidated Shares to be in issue and any new Consolidated Shares which may fall to be issued pursuant to the exercise of Options upon the Share Consolidation becoming effective. All necessary arrangements will be made for the Consolidated Shares to be admitted into the CCASS.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Consolidation; and
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares and any new Consolidated Shares which may fall to be issued pursuant to the exercise of Options.

Subject to the fulfillment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 19 October 2011 being the Business Day immediately after the EGM.

CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 2,000 Shares. The Board also proposes that subject to and upon the Share Consolidation becoming effective, the board lot size be changed from 2,000 Shares to 5,000 Consolidated Shares. The Change in Board Lot Size ensures that the value of each board lot of the

LETTER FROM THE BOARD

Consolidated Shares would be more than HK\$2,000 and minimises transaction and registration costs in respect of transfer of Consolidated Shares. The Board considers the Change in Board Lot Size to be in the interests of the Company and its Shareholders as a whole.

ARRANGEMENT FOR MATCHING ODD LOTS

In order to alleviate the difficulties arising from the odd lots of Consolidated Shares arising from the Share Consolidation, the Company has procured an agent to provide matching services for sale and purchase of odd lots of Consolidated Shares for Shareholders. Holders of Shares who wish to take advantage of this matching services to dispose or top up odd lots of Consolidated Shares should contact Mr. Tony Hui of Mansion House Securities (F.E.) Limited at (852) 2843-1408 or Units 1102-1103, 11/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong during the period from Wednesday, 2 November 2011 to Tuesday, 22 November 2011 (both dates inclusive).

Holders of Shares are reminded that the successful provision of odd lots matching services by the agent is not guaranteed, and are advised to consult their own professional advisers if they are in doubt of the above matching services.

LISTING AND DEALING

An application will be made by the Company to Stock Exchange for listing of, permission to deal in, the Consolidated Shares to be in issue and any new Consolidated Shares which may fall to be issued pursuant to the exercise of Options.

Save as the above application for the listing of and permission to deal in the Consolidated Shares on the Stock Exchange, no part of equity or debt securities of the Company is listed or dealt in on other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated 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 Consolidated Shares on the Stock Exchange or such other date as may be 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.

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Consolidation becoming effective, Shareholders may submit their Existing Share Certificates to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for the New Share Certificates free of charge between 9:00 a.m. and 4:30 p.m. on any Business Day from Wednesday, 19 October 2011 to Thursday, 24 November 2011 (both dates inclusive). It is expected that the New Share Certificates will be available for collection within 10 Business Days after the submission of the Existing Share Certificates to Hong Kong Registrars Limited for exchange.

LETTER FROM THE BOARD

From Friday, 25 November 2011 onwards, exchange of Existing Share Certificates for New Share Certificates can only be made at a cost of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each Existing Share Certificate cancelled or each New Share Certificate issued, whichever number of share certificates involved is higher.

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m., Tuesday, 22 November 2011 and thereafter will not be accepted for delivery, trading and settlement purposes. However, all Existing Share Certificates will continue to be good evidence of legal title to such equivalent number of Consolidated Shares.

The New Share Certificates will be issued in red colour in order to distinguish them from Existing Share Certificates which are in blue colour.

TRADING ARRANGEMENT FOR CONSOLIDATED SHARES

Subject to the Share Consolidation becoming effective, dealings in the Consolidated Shares are expected to commence on Wednesday, 19 October 2011. Parallel trading in the Consolidated Shares (in the form of Existing Share Certificates and New Share Certificates will be operated from Wednesday, 2 November 2011 to Tuesday, 22 November 2011 (both dates inclusive). Full details of the expected timetable and trading arrangement of the Shares are set out on pages 5 to 6 of this circular.

REASON FOR THE SHARE CONSOLIDATION

The Group considers that upon the completion of the Share Consolidation, the transaction and handling costs of the Company in relation to the dealing in the Consolidated Shares are expected to be reduced, which will be beneficial to the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of the each board lot will be lower. It is expected that the liquidity in trading of the Shares will increase accordingly and the market value of the Shares will be more precisely reflect the intrinsic value of the Company. Accordingly, the Directors opined that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors or the controlling Shareholders (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 29 to 31 of this circular. The EGM will be convened at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Tuesday, 18 October 2011 at 11:30 a.m. for the purpose of, considering and, if thought fit, to approve the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the Share Consolidation. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and 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 will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As no Shareholder has a material interest in the Share Consolidation and the matters contemplated thereunder which is different from other Shareholders, no Shareholder is required to abstain from voting at the EGM in respect of the resolution to approve the same.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

RECOMMENDATION

The Board considers that the Share Consolidation is in the best interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

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.

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



TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of TLT Lottotainment Group Limited (the “**Company**”) will be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Tuesday, 18 October 2011 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), every five existing issued and unissued shares of HK\$0.01 each in the share capital of the Company be and are hereby consolidated into one share of HK\$0.05 (each a “**Consolidated Share**”) with effect from the business day immediately following the day on which this resolution is passed (the “**Share Consolidation**”) and the directors of the Company be authorised to issue new share certificates in respect of the Consolidated Shares to holders of issued existing shares of the Company pursuant to the Share Consolidation and to do all things and execute all documents in connection with or incidental to the Share Consolidation.”

2. “**THAT** subject to the passing of resolution 1 as set out in the notice of the Meeting,

- (a) the conditional convertible bonds subscription agreement dated 8 August 2011 (as amended by the supplemental agreement dated 23 August 2011) (together, the “**Subscription Agreement**”) and entered into between the Company as the issuer and the subscriber (the “**Subscriber**”) named therein as the subscriber in relation to the subscription by the Subscriber of the convertible bonds (the “**Convertible Bonds**”) with a principal amount of HK\$50 million which entitles the holder(s) thereof to convert the Convertible Bonds into conversion shares (the “**Conversion Shares**”) of HK\$0.05 each in the

NOTICE OF EGM

share capital of the Company at the initial conversion price of HK\$0.30 (subject to adjustment) per Conversion Share (copies of which are produced to the Meeting marked "A" and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) the issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
 - (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the conversion of the Convertible Bonds, the allotment and issue of the Conversion Shares to the relevant holder(s) of the Convertible Bonds be and is hereby approved; and
 - (d) any one director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bonds, and the allotment and issue of Conversion Share(s) of which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds."
3. "THAT subject to the passing of resolution 2 as set out in the notice of the Meeting, Mr. Lee Chi Shing, Caesar be appointed as executive director of the Company with immediate effect and the board of directors of the Company be authorised to fix his remuneration."

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

Hong Kong, 3 October 2011

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

NOTICE OF EGM

Notes:

- (1) A member entitled to attend and vote at the Meeting 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 Meeting 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 Meeting is enclosed with the circular of the Company dated 3 October 2011. Whether or not you intend to attend the Meeting 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 Meeting 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (4) In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, 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 Meeting 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 Meeting shall be taken by poll.