

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in TLT Lottotainment Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 8022)

### REFRESHMENT OF GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

**ASIA VEST PARTNERS**

AsiaVest Partners Limited

The notice convening an extraordinary general meeting (“EGM”) of the Company to be held at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Monday, 5 March 2012 at 11:00 a.m. is set out on pages 29 to 31 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon. A form of proxy for the EGM is enclosed with this circular. Whether you are able to attend or not, please complete and return the enclosed form of proxy to the branch share registrar of the Company, Hong Kong Registrars Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person or any adjournment thereof in person.

*This circular will remain on the “Latest Company Announcement” page of the GEM website at [www.hkgem.com](http://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>.*

17 February 2012

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM")  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

# CONTENTS

	<i>Page</i>
<b>Characteristics of GEM</b> .....	i
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	14
<b>Letter of Advice from AsiaVest</b> .....	15
<b>Notice of Extraordinary General Meeting</b> .....	29

## DEFINITIONS

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

“2011 AGM”	the annual general meeting of the Company held on 9 May 2011
“AsiaVest”	AsiaVest Partners Limited, a licensed corporation to carry out types 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Cap 571), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the New General Mandate
“associate(s)”	shall have the same meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the GEM
“controlling shareholder(s)”	shall have the same meaning as defined in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, among other things, refreshment of Existing General Mandate
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at 2011 AGM to allot, issue and deal up to 20% of the then issued share capital of the Company as at the date of the 2011 AGM
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis to advise the Independent Shareholders as to the New General Mandate
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), chief executive of the Company and their respective associates
“Latest Practicable Date”	14 February 2012, being the latest practicable date prior to the printing of this circular to ascertain certain information contained herein
“New General Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Pre-consolidated Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation became effective on 19 October 2011
“Share(s)”	ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company after the Share Consolidation became effective on 19 October 2011
“Shareholder(s)”	holder(s) of the Pre-consolidated Share(s) (before the Share Consolidation became effective on 19 October 2011) or the holder(s) of the Share(s) (after the Share Consolidation became effective on 19 October 2011)
“Share Consolidation”	the consolidation of every five Pre-consolidated Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one Share of HK\$0.05 each in the issued and unissued share capital of the Company, which became effective on 19 October 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



**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  
Mr. Lee Chi Shing, Caesar

*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

17 February 2012

*To the Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE**

**INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolution to be proposed at the EGM for the approval of refreshment of the Existing General Mandate.

**BACKGROUND**

At the 2011 AGM held on 9 May 2011, the Shareholders passed, among other resolutions, an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 262,741,452 Pre-consolidated Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution. Since the date of the 2011 AGM and up to the Latest Practicable Date, there has not been any refreshment of the Existing General Mandate.

## LETTER FROM THE BOARD

The Existing General Mandate has been utilized as to 262,470,588 Pre-consolidated Shares, representing about 99.90% of the aggregate number of Pre-consolidated Shares which may be allotted and issued under the Existing General Mandate, as a result of the following issues of Pre-consolidated Shares:

- issue on 1 June 2011 of 176,470,588 Pre-consolidated Shares as consideration for the acquisition of the entire issued share capital of Solution Gold Limited; and
- issue on 18 August 2011 of 86,000,000 Pre-consolidated Shares by way of top-up subscription to Mr. Luk Wing Kwong, Quintin (“**Mr. Luk**”), a substantial shareholder (as defined in the GEM Listing Rules) of the Company in connection with the placing completed on 10 August 2011.

### HISTORY REGARDING GRANT OF GENERAL MANDATES IN THE PAST 24 MONTHS

Set out below is the history of the Company’s grant/refreshment of general mandate to issue shares in the past 24 months:

1. at the annual general meeting held on 4 May 2010, the then subsisting general mandate expired and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 131,151,515 Pre-consolidated Shares (“**2010 General Mandate**”);
2. at the extraordinary general meeting held on 15 November 2010, the 2010 General Mandate was revoked (to the extent not exercised) and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 158,284,848 Pre-consolidated Shares (“**First Refreshed Mandate**”);
3. at the extraordinary general meeting held on 7 March 2011, the First Refreshed Mandate was revoked (to the extent not exercised) and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 190,884,848 Pre-consolidated Shares (“**Second Refreshed Mandate**”); and
4. at the AGM, the Second Refreshed Mandate expired and the Directors were granted the Existing General Mandate to allot, issue and otherwise deal with a maximum of 262,741,452 Pre-consolidated Shares.

# LETTER FROM THE BOARD

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 24 MONTHS

Set out below is the fund raising exercises conducted by the Company since 1 January 2010.

	1	2	3	4	5	6	7
<b>Date of announcement and/or circular</b>	8 September 2010	30 December 2010	18 January 2011	6 April 2011	29 April 2011	4 August 2011	8 August 2011, 23 August 2011 and 3 October 2011
<b>Event</b>	Top-up placing of 66,000,000 Pre-consolidated Shares	Top-up placing of 94,000,000 Pre-consolidated Shares	Top-up placing of 64,000,000 Pre-consolidated Shares	Top-up placing of 100,000,000 Pre-consolidated Shares	Top-up placing of 65,000,000 Pre-consolidated Shares	Top-up placing of 86,000,000 Pre-consolidated Shares	Issue of HK\$50 million convertible bonds
<b>Issue Price</b>	HK\$0.30	HK\$0.32	HK\$0.32 (adjusted to HK\$0.295 per announcement of 19 January 2011)	HK\$0.295	HK\$0.25 (adjusted to HK\$0.245 per announcement of 12 May 2011)	HK\$0.100	HK\$0.3 (being the initial conversion price)
<b>Discount to the then market price</b>	Approximately 9.1% to the closing price of HK\$0.33 per Pre-consolidated Share as quoted on the Stock Exchange on 8 September 2010	Approximately 5.88% to the closing price of HK\$0.34 per Pre-consolidated Share as quoted on the Stock Exchange on 30 December 2010	The original price of HK\$0.32 represents a discount of approximately 5.88% to the closing price of HK\$0.34 per Pre-consolidated Share as quoted on the Stock Exchange on 18 January 2011	Approximately 3.28% to the closing price of HK\$0.305 per Pre-consolidated Share as quoted on the Stock Exchange on 4 April 2011	The original price of HK\$0.25 represents a discount of approximately 1.96% to the closing price of HK\$0.255 per Pre-consolidated Share as quoted on the Stock Exchange on 29 April 2011	Approximately 6.54% to the closing price of HK\$0.107 per Pre-consolidated Share as quoted on the Stock Exchange on 4 August 2011	Approximately 28.57% to the closing price of HK\$0.42 per Pre-consolidated as quoted on the Stock Exchange on 30 September 2011



# LETTER FROM THE BOARD

	1	2	3	4	5	6	7
<b>Individual dilution effect</b> (calculated by dividing the increase in Pre-consolidated Shares/ Shares with the aggregate number of Pre-consolidated Shares/ Shares immediately after the event)	9.14%	10.56%	6.71%	8.61%	4.71%	5.24%	45.84% based on the maximum number of 277,777,777 Shares converted at the minimum conversion price of HK\$0.18 and the enlarged issued share capital of the Company as 606,013,346 Shares
<b>Accumulated dilution effect with reference to the number of Pre-consolidated Shares in issue of the Company as at 1 January 2010 (i.e. 652,257,575 Pre-consolidated Shares)</b>	9.19%	19.70%	25.56%	33.19%	37.36%	42.14%	74.08%
<b>Net proceeds (approximately)</b>	Approximately HK\$19,200,000	Approximately HK\$29,500,000	Approximately HK\$18,220,000	Approximately HK\$28,700,000	Approximately HK\$15,350,000	Approximately HK\$8,250,000	Approximately HK\$49,600,000
<b>Intended Uses</b>	For the general working capital of the Group	For financing possible future investments which may include 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	For financing possible future investments which may include acquisition of up to 30% issued share capital of Galaxy Mount International Limited or should such transaction is consummated, capital of a company engaged in the organization, production or 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	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, promissory notes, repayments of other borrowings and/ or for general working capital purposes of the Group	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 other promissory notes, borrowings and/ or for general working capital purposes of the Group	For financing future investment, repayment of promissory notes, repayment of other borrowings and/ or for general working capital purpose of the Group	For financing (i) the subscription for a new joint venture company as announced 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

1	2	3	4	5	6	7
<p><b>Actual Uses</b></p> <p>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.</p>	<p>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.</p> <p>The remaining balance has been used for payment of operating expenses and repayment of other borrowings.</p>	<p>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.</p> <p>The remaining balance has been used for payment of operating expenses and repayment of other borrowings.</p>	<p>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 and repayment of other borrowings. The remaining balance of approximately HK\$350,000 was used as general working capital of the Group.</p>	<p>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 as general working capital of the Group.</p>	<p>Funds of around HK\$2.8 million and HK\$1.9 million were used respectively for operation of stage drama and for system development.</p> <p>Funds of HK\$1.5 million and HK\$2.05 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.</p>	<p>Funds of HK\$5 million were used as refundable deposit for possible acquisition of 100% issued share capital of Creative Star Limited, details of which were set out in the Company's announcement dated 14 November 2011.</p> <p>Funds of around HK\$5.5 million were used for operation of stage drama.</p> <p>Funds of around HK\$6.3 million were used for the operation of artist school.</p> <p>Funds of around HK\$2 million were used for repayment of other borrowings.</p>
<p>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.</p>	<p>Furthermore, funds of approximately HK\$5 million were used for payment of operating expenses of the Group.</p>	<p>The remaining balance was used for payment of other professional fees.</p>	<p>The remaining balance was used for payment of other professional fees.</p>	<p>The remaining balance has been deposited in bank and not yet been utilized. Such remaining balance will be used as remaining balance payment of the cash consideration for the possible acquisition of the entire issued share capital of Creative Star Limited (as announced on 14 November 2011) and be applied for the Group's general working capital purpose.</p>	<p>Furthermore, funds of approximately HK\$5 million were used for payment of operating expenses of the Group.</p>	<p>The remaining balance has been deposited in bank and not yet been utilized. Such remaining balance will be used as remaining balance payment of the cash consideration for the possible acquisition of the entire issued share capital of Creative Star Limited (as announced on 14 November 2011) and be applied for the Group's general working capital purpose.</p>
<p>2010 General Mandate</p>	<p>First Refreshed Mandate</p>	<p>First Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Existing General Mandate</p>	<p>A specific mandate granted at the extraordinary general meeting held on 18 October 2011.</p>
<p><b>Use of general mandate/specific mandate</b></p>	<p>2010 General Mandate</p>	<p>First Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Existing General Mandate</p>	<p>A specific mandate granted at the extraordinary general meeting held on 18 October 2011.</p>

## LETTER FROM THE BOARD

### THE ACCUMULATED POTENTIAL DILUTION EFFECT ON ISSUE OF NEW SHARES/CONVERTIBLE SECURITIES IN THE PAST 24 MONTHS

Since 1 January 2010:

1. an aggregate of 475,000,000 Pre-consolidated Shares have been issued in relation to placings and top-up subscriptions (Note 1);
2. an aggregate of 375,920,273 Pre-consolidated Shares have been issued as consideration shares (as to the issue of 54,166,667 Pre-consolidated Shares as partial consideration for the acquisition of 51% equity interest in Fountain City Holdings Limited as disclosed in the Company's announcement dated 7 October 2010; as to the issue of 145,283,018 consideration shares as partial consideration for the acquisition of 10% interest in Dragon Gain Worldwide Limited as disclosed in the Company's announcement dated 16 February 2011; and as to the issue of 176,470,588 Pre-consolidated Shares as consideration for the acquisition of 100% interest in Solution Gold Limited as disclosed in the Company's announcement dated 25 May 2011);
3. the Company issued a convertible note in the principal amount of HK\$60,000,000 in partial early redemption of a promissory note due in 2012 issued by the Company on 28 March 2011. In case where the conversion rights attached to such convertible note are exercised in full, a maximum of 214,285,714 Pre-consolidated Shares will fall to be allotted and issued (Note 2); and
4. the Company issued a convertible note in the principal amount of HK\$50,000,000 on 28 October 2011. In case where the conversion rights attached to such convertible note are exercised in full and assuming that all conversion shares are issued at a minimum conversion price of HK\$0.18 per conversion share, a maximum of 277,777,777 Shares will fall to be allotted and issued (Note 1).

*Note 1:* For the individual and accumulative dilution effects for each issue, please refer to page 6 of this circular.

*Note 2:* For this convertible note, the dilution effect is 18.34% based on a maximum of 214,285,714 Pre-consolidated Shares which may fall to be allotted and issued and the enlarged issued share capital of the Company as 1,168,709,956 Pre-consolidated Shares (being the sum of the said 214,285,714 Pre-consolidated Shares and the number of Pre-consolidated Shares in issue of the Company as at 28 March 2011 (i.e. 954,424,242 Pre-consolidated Shares)).

### REASONS FOR REFRESHMENT OF GENERAL MANDATE

The Group is actively seeking various potential investments principally in cultural, media and entertainment businesses. Except for the possible acquisition of Galaxy Mount International Limited as announced on 30 November 2011, the Group is studying the possibilities of acquiring certain potential targets which are engaged in music related businesses. However, no concrete acquisition nor cooperation terms (such as the subject targets and the expected sizes of the transactions if materialized) have been finalized as at the Latest Practicable Date.

## LETTER FROM THE BOARD

The Group periodically reviews its liquidity and working capital funding needs for its business. The Company's balance of cash and cash equivalents is approximately HK\$32 million as at 31 January 2012.

The Board announced on 5 August 2011 and 12 August 2011 that the Company and a vendor mutually agreed to terminate an acquisition agreement on the acquisition of 25% issued share capital of Galaxy Mount International Limited as a result of the non-availability of certain relevant financial information and entered into a termination agreement. Pursuant to this termination agreement (and the addendum thereof dated 12 August 2011), the vendor shall return the deposits of HK\$46 million, unsecured and without interest, in cash to the Company on or before 10 October 2011. On 30 November 2011, the Company received two cheques for an aggregate amount of HK\$4 million post-dated for 9 and 16 December 2011, as partial repayment for the deposits from the vendor, and such two cheques have been cleared.

The management of the Company is still under negotiation with the vendor on the repayment schedule of the remaining HK\$42 million of the deposits. The Company has re-started preliminary negotiations with the vendor for the possible acquisition of certain interests in Galaxy Mount International Limited. It is expected that HK\$12 million will be further received in the first quarter of 2012. In the event the negotiation to resume the acquisition of certain equity interest in Galaxy Mount International Limited does not materialize, the Company expects the deposits will be fully returned to the Company in the second quarter of 2012.

Although it is expected that there is no significant future funding needs for existing business of the Group as at the Latest Practicable Date, the Group expected to have the following significant cash outflows in 2012:

1. HK\$15 million will be used as remaining balance payment of the cash consideration for the possible acquisition of Creative Star Limited (as announced on 14 November 2011); and
2. HK\$59 million will be used as repayment of the convertible bonds with interest (as set out in the Company's circular dated 3 October 2011) in the fourth quarter of 2012.

Notwithstanding the Company may have funding of up to HK\$74 million in 2012 (being (i) the sum of the Company's balance of cash and cash equivalents of approximately HK\$32 million as at 31 December 2011 and (ii) the expected repayment of the remaining HK\$42 million deposits in relation to Galaxy Mount International Limited to the Group as indicated in this section above), such sum would just marginally cover the aforesaid two significant cash outflows in 2012 (amounting to HK\$74 million), which leaves the Company with no cash balance for its general working capital and other uses.

## LETTER FROM THE BOARD

In order to (i) strengthen the Group's general working capital requirements; (ii) provide funds for the Group's development and investment as and when the Directors think appropriate in the future; and (iii) repay the HK\$50 million convertible bonds (as set out in the Company's circular dated 3 October 2011) on or before 27 April 2012 without having to extend the maturity date of such convertible bonds and incur further interest, the Company may need to seek fund raising opportunities by way of equity issue.

Nevertheless, after the issue of the 262,470,588 Pre-consolidated Shares (equivalent to approximately 52,494,117 Shares) (as set out in the section headed "Background" above), only 54,172 Shares may be further allotted and issued under the Existing General Mandate.

The Group has recorded a low level of gross profit for the two years ended 31 December 2010. Given the Group's unfavourable financial performance during the period and the Company's relatively high gearing ratio, bank borrowings and debt financing would be difficult and would probably incur significant interest expenses to the Group.

Besides bank borrowings and debt financing, the Board has also considered pro-rata equity fund raising exercise against placing which can be proceeded with under the New General Mandate (if granted). While placing would incur placing commission, pro-rata equity fund raising like rights issue would on the other hand also incur underwriting commission and generally higher documentation preparation costs and professional fees (as compared with placing). That said, the Board does not eliminate the possibilities of having pro-rata equity fund raising activities in the future.

Having considered the above alternative fund raising exercises, the Directors believe that the grant of New General Mandate, which provides the Group with flexibility in deciding the source of financing for any merger and/or acquisitions opportunities that may arise in the future and the implementation of the new business strategy of the Company (i.e. expanding in entertainment and cultural business) with satisfactory return, is the preferred option for the Group. Therefore the Board wishes to seek approval of the Independent Shareholders at the EGM to grant the New General Mandate to the Directors.

Based on the total number of issued Shares as at the Latest Practicable Date (i.e. 328,235,569 Shares) and assuming that the Company does not issue or repurchase any Shares prior to the EGM from the Latest Practicable Date, the New General Mandate, if granted, will allow the Directors to issue and allot up to 65,647,113 Shares. However, the Company does not have any immediate plans for any new issue of Shares under the New General Mandate.

## LETTER FROM THE BOARD

The table below sets out the potential dilution effect on the shareholding of the Company upon full utilization of the New General Mandate.

	<b>As at the Latest Practicable Date</b>		<b>Upon full exercise of the New General Mandate</b>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
<b>Substantial Shareholder</b>				
Mr. Luk Wing Kwong, Quintin	50,351,800	15.34	50,351,800	12.78
<b>Public</b>				
Shares to be issued under the New General Mandate	–	–	65,647,113	16.67
Public Shareholders	<u>277,883,769</u>	<u>84.66</u>	<u>277,883,769</u>	<u>70.55</u>
<b>Total</b>	<b><u>328,235,569</u></b>	<b><u>100.00</u></b>	<b><u>393,882,682</u></b>	<b><u>100.00</u></b>

Upon utilization in full of the New General Mandate, 65,647,113 new Shares can be allotted and issued, representing approximately 20% and 16.7% of the total issued share capital of the Company as at the Latest Practicable Date and the then enlarged issued share capital of the Company respectively. The aggregate shareholding of the public Shareholders upon full utilization of the New General Mandate will, therefore, decrease from approximately 84.66% to approximately 70.55%, representing a potential maximum dilution of approximately 16.67%.

Notwithstanding there has been various fund raising exercises in the past 24 months and the potential dilution effect upon full utilisation of the New General Mandate, the Directors consider that the refreshment of the Existing General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate as (i) it can maintain the financial flexibility necessary for the Company to raise funds through the issue of new securities (should such fund-raising opportunities arise before the Company's forthcoming annual general meeting in 2012) for the Group's general working capital requirements and as funds for the Group's development and investment as and when the Directors think appropriate in the future and (ii) the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholdings upon utilization of the New General Mandate. Therefore, the Board proposes to seek the approval of the Shareholders to refresh the Existing General Mandate at the EGM.

### **NEW GENERAL MANDATE**

The New General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

## LETTER FROM THE BOARD

- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

Pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Existing General Mandate requires the approval of the Independent Shareholders at the EGM at which any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the refreshment of the Existing General Mandate.

To the extent that the Company was aware having made all reasonable enquiries, at the Latest Practicable Date, (i) there was no controlling shareholder of the Company; and (ii) no Directors and their respective associates controlled or were entitled to exercise control over the voting rights in respect of the Shares and are required to abstain from voting in favour of the resolution for approving the proposed refreshment of the Existing General Mandate at the EGM.

### **EGM**

The EGM will be convened on Monday, 5 March 2012 at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wan Chai, Hong Kong for the purpose of obtaining approval from the Independent Shareholders for the refreshment of the Existing General Mandate.

The notice of the EGM is set out on pages 29 to 31 of this circular.

Proxy form for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete and return the enclosed proxy forms in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong share registrar, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes of the Shareholders at the general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for the resolution put to the vote at the EGM.

### **RECOMMENDATION**

The Independent Board Committee has been established to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. AsiaVest has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.



## LETTER FROM THE BOARD

The text of the letter of advice from AsiaVest containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 28 of this circular and the text of the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 14 of this circular.

The Independent Board Committee, having taken into account the advice of AsiaVest, is of the view that the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole and recommends the Independent Shareholders to vote for the relevant resolution to be proposed at the EGM.

The Directors (including the independent non-executive Directors) consider that the refreshment of the Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote for the 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.

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



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the refreshment of the Existing General Mandate.*



# TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8022)**

17 February 2012

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 17 February 2012 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from AsiaVest as set out on pages 15 to 28 of the Circular and the letter from the Board as set out on pages 3 to 13 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of AsiaVest as stated in its letter of advice, we consider that the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the ordinary resolution in relation to the refreshment of the Existing General Mandate to be proposed at the EGM.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
*the Independent Non-executive Directors*

**Mr. Fung Wai Shing**

**Mr. Sung Wai Tak, Herman**

**Mr. Wong Lit Chor, Alexis**

## LETTER OF ADVICE FROM ASIAVEST

*The following is the text of a letter of advice from AsiaVest to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate, and is prepared for inclusion in this circular.*

### **ASIA VEST PARTNERS**

**AsiaVest Partners Limited**

AsiaVest Partners Limited  
2605 Universal Trade Centre  
3 Arbuthnot Road  
Central, Hong Kong  
17 February 2012

*The Independent Board Committee and  
the Independent Shareholders*

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

Dear Sirs,

### **REFRESHMENT OF GENERAL MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate, details of which are set out in this circular, of which this letter forms a part. We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the refreshment of the Existing General Mandate is fair and reasonable and whether the grant of the New General Mandate to the Board to exercise the power of the Company to allot and issue shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM is in the interests of the Company and its Shareholders as a whole, and to advise Independent Shareholders on how to vote. Unless the context otherwise requires, capitalised terms used in this letter have the same meanings as those defined in this circular.

As at the Latest Practicable Date, there is no controlling Shareholder as defined under the GEM Listing Rules. If on the date of the EGM, the Company has any controlling Shareholder(s), the controlling Shareholder(s) and their associates or, where there are no controlling Shareholder(s), Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, if they hold any Shares, shall abstain from voting in favor of the relevant resolutions for approving the New General Mandate pursuant to Rule 17.42A of the GEM Listing Rules.

## LETTER OF ADVICE FROM ASIAVEST

The Independent Board Committee, comprising Messrs. Fung Wai Shing, Sung Wai Tak, Herman, and Wong Lit Chor, Alexis, all being independent non-executive Directors, has been established to consider the terms of the New General Mandate and to advise the Independent Shareholders in relation to the refreshment of the Existing General Mandate.

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in this circular and information provided to us by the Company and its Director(s). We have assumed that all statements and representations made or referred to in this circular were true at the time they were made and continue to be true at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in this circular were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Directors that no material facts and representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in this circular and to provide a reasonable basis for our recommendation regarding the refreshment of the Existing General Mandate.

### PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate, we have taken into consideration the following factors and reasons:

#### 1. Background and reasons for the refreshment of Existing General Mandate

The Group is principally engaged in the provision of travel agent services, operation of stage drama, entertainment programme production, events organization, and operation of an artist training school.

At the 2011 AGM of the Company held on 9 May 2011, the Shareholders passed among others, an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 262,741,452 Pre-consolidated Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution.

As a result of the issue of 176,470,588 Pre-consolidated Shares as consideration for the acquisition of the entire issued share capital of Solution Gold Limited as announced on 25 May 2011 and issue of 86,000,000 Pre-consolidated Shares by way of top-up subscription on 18 August 2011 to Mr. Luk Wing Kwong, Quintin (“**Mr Luk**”), a substantial shareholder (as defined in the GEM Listing

## LETTER OF ADVICE FROM ASIAVEST

Rules) of the Company in connection with the placing completed on 10 August 2011, the Existing General Mandate has been utilised as to 262,470,588 Pre-consolidated Shares (equivalent to approximately 52,494,117 Shares, representing approximately 99.9% of the aggregate number of Pre-consolidated Shares which may be allotted and issued under the such general mandate.

In order to provide the Company with financial flexibility for the Group to issue new Shares in the future for future investments or business development occasions, the Board proposed to seek approval by the Independent Shareholders at the EGM in respect of the New General Mandate, in which the Directors shall be granted the authority to allot and issue not exceeding 20% of the issued share capital of the Company as at the date of the EGM. The New General Mandate will be in force if it is approved by the Independent Shareholders at the EGM. As at the Latest Practicable Date, there were total number of 328,235,569 issued Shares. On the assumption that there will be no further issue of new Shares from the Latest Practicable Date to the date of the EGM (both dates inclusive), 328,235,569 Shares will be in issue as at the date of the EGM and the Board will be granted the power to allot and issue further 65,647,113 Shares, being 20% of the total number of issued shares of the Company as at the date of the EGM, under the New General Mandate when it is approved by the Independent Shareholders at the EGM.

### *History regarding grant of general mandates in the past 24 months*

Set out below is the history of the Company's grant/refreshment of general mandate to issue shares in the past 24 months:

1. at the annual general meeting held on 4 May 2010, the then subsisting general mandate expired and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 131,151,515 Pre-consolidated Shares ("**2010 General Mandate**");
2. at the extraordinary general meeting held on 15 November 2010, the 2010 General Mandate was revoked (to the extent not exercised) and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 158,284,848 Pre-consolidated Shares ("**First Refreshed Mandate**");
3. at the extraordinary general meeting held on 7 March 2011, the First Refreshed Mandate was revoked (to the extent not exercised) and the Directors were granted a general mandate to allot, issue and otherwise deal with a maximum of 190,884,848 Pre-consolidated Shares ("**Second Refreshed Mandate**"); and
4. at the AGM, the Second Refreshed Mandate expired and the Directors were granted the Existing General Mandate to allot, issue and otherwise deal with a maximum of 262,741,452 Pre-consolidated Shares.

# LETTER OF ADVICE FROM ASIAVEST

Set out below is the fund raising exercises conducted by the Company since 1 January 2010.

	1	2	3	4	5	6	7
<b>Date of announcement and/or circular</b>	8 September 2010	30 December 2010	18 January 2011	6 April 2011	29 April 2011	4 August 2011	8 August, 23 August and 3 October 2011
<b>Event</b>	Top-up placing of 66,000,000 Pre-consolidated Shares	Top-up placing of 94,000,000 Pre-consolidated Shares	Top-up placing of 64,000,000 Pre-consolidated Shares	Top-up placing of 100,000,000 Pre-consolidated Shares	Top-up placing of 65,000,000 Pre-consolidated Shares	Top-up placing of 86,000,000 Pre-consolidated Shares	Issue of HK\$50 million convertible bonds
<b>Issue Price</b>	HK\$0.30	HK\$0.32	HK\$0.32 (adjusted to HK\$0.295 per announcement of 19 January 2011)	HK\$0.295	HK\$0.25 (adjusted to HK\$0.245 per announcement of 12 May 2011)	HK\$0.100	HK\$0.3 (being the initial conversion price)
<b>Discount to the then market price</b>	Approximately 9.1% to the closing price of HK\$0.33 per Pre-consolidated Share as quoted on the Stock Exchange on 8 September 2010	Approximately 5.88% to the closing price of HK\$0.34 per Pre-consolidated Share as quoted on the Stock Exchange on 30 December 2010	The original price of HK\$0.32 represents a discount of approximately 5.88% to the closing price of HK\$0.34 per Pre-consolidated Share as quoted on the Stock Exchange on 18 January 2011	Approximately 3.28% to the closing price of HK\$0.305 per Pre-consolidated Share as quoted on the Stock Exchange on 4 April 2011	The original price of HK\$0.25 represents a discount of approximately 1.96% to the closing price of HK\$0.255 per Pre-consolidated Share as quoted on the Stock Exchange on 29 April 2011	Approximately 6.54% to the closing price of HK\$0.107 per Pre-consolidated Share as quoted on the Stock Exchange on 4 August 2011	Approximately 28.57% to the closing price of HK\$0.42 per Pre-consolidated Share on the Stock Exchange on 30 September 2011
			The adjusted price of HK\$0.295 represents a discount of approximately 13.24% to the closing price of HK\$0.34 per Pre-consolidated Share as quoted on the Stock Exchange on 18 January 2011		The adjusted price of HK\$0.245 represents a discount of approximately 3.92% to the closing price of HK\$0.255 per Pre-consolidated Share as quoted on the Stock Exchange on 29 April 2011		

# LETTER OF ADVICE FROM ASIATEST

1	9.14%	2	10.56%	3	6.71%	4	8.61%	5	4.71%	6	5.24%	7	45.84% based on the maximum number of 277,777,777 Shares converted at the minimum conversion price of HK\$0.18 and the enlarged issued share capital of the Company as 606,013,346 Shares
Individual Dilution effect (calculated by dividing the increase in Pre-consolidated Shares/Shares with the aggregate number of Pre-consolidated Shares/Shares immediately after the event)													
Accumulated dilution effect with reference to the number of Pre-consolidated Shares in issue of the Company as at 1 January 2010 (i.e. 652,257,575 Pre-consolidated Shares)	9.19%	19.70%	25.56%	33.19%	37.36%	42.14%	74.08%						
Net proceeds (approximately)	Approximately HK\$19,200,000	Approximately HK\$29,500,000	Approximately HK\$18,220,000	Approximately HK\$28,700,000	Approximately HK\$15,350,000	Approximately HK\$8,250,000	Approximately HK\$49,600,000						

# LETTER OF ADVICE FROM ASIATEST

1	For the general working capital of the Group	2	For financing possible future investments which may include the acquisition of up to 30% issued share capital of Galaxy Mount International Limited, should such transaction be consummated, repayment of bank and other borrowings and/or for general working capital purpose of the Group	3	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 be consummated, for repayment of bank and other borrowings and/or for general working capital purposes of the Group	4	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 be consummated, repayment of promissory notes, and/or for general working capital purposes of the Group	5	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, and/or for general working capital purposes of the Group	6	For financing future investment, repayment of promissory notes, borrowings and/or for general working capital purpose of the Group	7	For financing (i) the subscription for a new joint venture company as announced 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 OF ADVICE FROM ASIAVEST

1	2	3	4	5	6	7
<p><b>Actual Uses</b></p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Funds of around HK\$15 million and HK\$5 million out of the net proceeds were 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\$38,000 were used for payment of legal fees. Funds of around HK\$1.4 million were used as financial advisory service fee and consultancy fee. Funds of around HK\$1.0 million 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.</p>	<p>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 as general working capital of the Group.</p>	<p>Funds of around HK\$5 million were used as refundable deposit for possible acquisition of 100% issued share capital of Creative Star Limited, details of which were set out in the Company's announcement dated 14 November 2011.</p> <p>Funds of around HK\$5.5 million were used for operation of stage drama.</p> <p>Funds of around HK\$6.3 million were used for operation of artist school.</p> <p>Funds of around HK\$2 million were used for repayment of other borrowings.</p> <p>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.</p>
<p>2010 General Mandate</p>	<p>First Refreshed Mandate</p>	<p>First Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Existing General Mandate</p>	<p>A specific mandate granted at the extraordinary general meeting held on 18 October 2011.</p>
<p>Use of general mandate/specific mandate</p>	<p>First Refreshed Mandate</p>	<p>First Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Second Refreshed Mandate</p>	<p>Existing General Mandate</p>	<p>A specific mandate granted at the extraordinary general meeting held on 18 October 2011.</p>



## LETTER OF ADVICE FROM ASIAVEST

### *The accumulative potential dilution effect on issue of new shares/convertible notes in the last 24 months*

Since 1 January 2010:

1. an aggregate of 475,000,000 Pre-consolidated Shares have been issued in relation to placings and top-up subscriptions (Note 1);
2. an aggregate of 375,920,273 Pre-consolidated Shares have been issued as consideration shares (as to the issue of 54,166,667 Pre-consolidated Shares as partial consideration for the acquisition of 51% equity interest in Fountain City Holdings Limited as disclosed in the Company's announcement dated 7 October 2010; as to the issue of 145,283,018 consideration shares as partial consideration for the acquisition of 10% interest in Dragon Gain Worldwide Limited as disclosed in the Company's announcement dated 16 February 2011; and as to the issue of 176,470,588 Pre-consolidated Shares as consideration for the acquisition of 100% interest in Solution Gold Limited as disclosed in the Company's announcement dated 25 May 2011);
3. the Company issued a convertible note in the principal amount of HK\$60,000,000 in partial early redemption of a promissory note due in 2012 issued by the Company on 28 March 2011. In case where the conversion rights attached to such convertible note are exercised in full, a maximum of 214,285,714 Pre-consolidated Shares will fall to be allotted and issued (Note 2); and
4. the Company issued a convertible note in the principal amount of HK\$50,000,000 on 28 October 2011. In case where the conversion rights attached to such convertible note are exercised in full and assuming that all conversion shares are issued at a minimum conversion price of HK\$0.18 per conversion share, a maximum of 277,777,777 Shares will fall to be allotted and issued (Note 1).

*Note 1:* For the individual and accumulative dilution effects for each issue, please refer to the above table.

*Note 2:* For this convertible note, the dilution effect is 18.34% based on a maximum of 214,285,714 Pre-consolidated Shares which may fall to be allotted and issued and the enlarged issued share capital of the Company as 1,168,709,956 Pre-consolidated Shares (being the sum of the said 214,285,714 Pre-consolidated Shares and the number of Pre-consolidated Shares in issue of the Company as at 28 March 2011 (i.e. 954,424,242 Pre-consolidated Shares)).

## LETTER OF ADVICE FROM ASIAVEST

### *Financial Position of the Company*

As set out in the Company's interim report for the six months ended 30 June 2011, the unaudited consolidated total liability of the Group was approximately HK\$132.7 million as at 30 June 2011 and the gearing ratio (defined as total liability over total asset) was 73.7%. Out of the total asset of HK\$180 million as at 30 June 2011, the goodwill amounted to HK\$95.5 million which in our opinion may not be easily converted into cash. The Company's balance of cash and cash equivalents is approximately HK\$32 million as at 31 January 2012. After discussion with the Company, we have studied and considered in depth the following:

- (I) Funding Inflow Positions
  - (a) The net proceeds of approximately HK\$8.25 million arising from the top-up subscription on 18 August 2011 to Mr. Luk in connection with the placing were applied for the following purposes:
    - (i) around HK\$2.8 million was used for operation of stage drama;
    - (ii) around HK\$1.9 million was used for system development;
    - (iii) around HK\$1.5 million was used as capital contribution for a new joint venture company as announced on 25 August 2011; and
    - (iv) around HK\$2.05 million was used as payment of general operating expenses including legal and professional assurance service costs, printers costs and salary.
  - (b) The net proceeds of approximately HK\$49.6 million arising from the issuance of convertible bond, disclosed in the Company's circular dated 3 October 2011, were and will be applied for the following purposes:
    - (i) around HK\$5 million were used as refundable deposit for possible acquisition of 100% issued share capital of Creative Star Limited, details of which were set out in the Company's announcement dated 14 November 2011;
    - (ii) around HK\$5.5 million were used for operation of stage drama;
    - (iii) around HK\$6.3 million were used for the operation of artist school;
    - (iv) around HK\$2 million were used for repayment of other borrowings;

## LETTER OF ADVICE FROM ASIAVEST

- (v) around HK\$5 million were used for payment of operating expenses of the Group; and
  - (vi) the remaining balance has been deposited in bank and not yet been utilized. Such remaining balance will be used as remaining balance payment of the cash consideration for the possible acquisition of the entire issued share capital of Creative Star Limited (as announced on 14 November 2011) and be applied for the Group's general working capital purpose.
- (c) The Board announced on 5 August 2011 and 12 August 2011 that the Company and a vendor mutually agreed to terminate an acquisition agreement on the acquisition of 25% issued share capital of Galaxy Mount International Limited as a result of the non-availability of certain relevant financial information and entered into a termination agreement (and the addendum thereof dated 12 August 2011). Pursuant to this termination agreement, the vendor shall return the deposits of HK\$46,000,000, unsecured and without interest, in cash to the Company on or before 10 October 2011. On 30 November 2011, the Company received two cheques for an aggregate amount of HK\$4,000,000 post-dated for 9 and 16 December 2011, as partial repayment for the deposits from the vendor. The management of the Company is still under negotiation with the vendor on the repayment schedule of the remaining HK\$42,000,000 of the deposits. Meanwhile, the Company has re-started preliminary negotiations with the vendor for the possible acquisition of certain interests in Galaxy Mount International Limited. As at the Latest Practicable Date, the full refund of the remaining HK\$42,000,000 is not certain to the Company.

### (II) Possible Funding Outflow Positions

- (a) HK\$15 million will be used as remaining balance payment of the cash consideration for the possible acquisition of Creative Star Limited (as announced on 14 November 2011); and
- (b) HK\$59 million will be used as repayment of the convertible bonds with interest (as set out in the Company's circular dated 3 October 2011) in the fourth quarter of 2012.

In aggregate, the Company needs to retain approximate HK\$74 million for the cash outflows within 2012.

## LETTER OF ADVICE FROM ASIAVEST

Notwithstanding the Company may have funding of up to HK\$74 million in 2012 (being (i) the sum of the Company's balance of cash and cash equivalents of approximately HK\$32 million as at 31 December 2011 and (ii) the expected repayment of the remaining HK\$42 million deposits in relation to Galaxy Mount International Limited to the Group as indicated in this section above), such sum would just marginally cover the aforesaid two significant cash outflows in 2012 (amounting to HK\$74 million), which leaves the Company with no cash balance for its general working capital and other uses.

Considering that the Company has been in a loss position during the past three consecutive years, the Group has diversified its business into the entertainment industry and that the high gearing ratio of the Group, we consider that there is no certainty that the existing cash level will be adequate for its future working capital uses. The Company needs to improve the high gearing position in the earliest possible way. In light of the above, even though the Company has recently raised funds mentioned in the above paragraphs headed "Funding Inflow Positions", it would be fair and reasonable for the Group to remain financial flexible in obtaining future financing to meet its urgent liquidity needs for both investment, improving the high gearing financial position and retaining adequate funding for repayment and settlement exercises within 2012, as set out in the paragraphs headed "Possible Funding Outflow Positions", by refreshing the Existing General Mandate.

Further, in the event that the Group identifies suitable investment opportunities and does not have sufficient cash on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group, or it cannot find other alternatives to finance such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favorable investment.

Accordingly, we consider that the refreshment of the Existing General Mandate is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

### **2. Financial Flexibility**

The Directors believe that the refreshment of the Existing General Mandate will enable the Company to take advantage of the market condition to raise additional funds for the Company through the issue of new Shares when investment opportunities are identified and when the Directors think fit and appropriate. Furthermore, placing of new shares shall not associate with the high costs as compared to other offer alternatives, since the fund raising exercise using general mandate can be concluded more expeditiously as compared to open offer and right issues, whereby it would take around three to four months to complete an open offer and right issues if shareholders' approval is required. In addition, based on the prevailing market circumstances, the Board considers that it would be difficult to have firm commitments from investments banks and expects that thereby-higher fees are involved, due to costs of issues and distributions.

## LETTER OF ADVICE FROM ASIAVEST

We consider that the grant of the New General Mandate could enhance the financing flexibility of the Company to raise capital, if and when required, through placing of Shares for further development of the Group and further strengthen the Company's capital base. While the Directors consider that investment decisions may have to be made immediately should suitable investment opportunities arise, we agree that the New General Mandate would then provide the Group with the maximum flexibility allowed under the GEM Listing Rules to take advantage of market conditions to raise additional capital, through placing of new Shares as consideration, for funding such investments in the future when opportunities are identified and as Directors think appropriate. As such, we consider that the increased amount of capital which may be raised under the New General Mandate will provide more financing alternatives to the Group and will enable the Group to grasp future investment opportunities in a timely manner.

### **3. Other Financing Alternatives**

Other than raising fund by way of issuing equity capital, the Board indicates that the Company will consider other financing methods such as bank financing, debt financing and funding through internal resources in order to meet its financing requirements arising from future investment of the Group, depending on the then financial position, capital structure and cost of funding of the Group as well as the then market condition. We understand that both the bank financing and debt financing will cause to further gearing ratio to the existing high gearing position, i.e. over 2 times non-current liabilities/total equity. As the non-current assets largely consisting of goodwill, the borrower will less likely provide without adequate physical security from the Company. Other corporate actions like rights issue or open offer will take substantial time and cost to the Company. As such, the New General Mandate will serve as one of the alternatives for the Company to finance the Group's investment and the Board will use the method that serves the best interests of the Group. We consider that it is sensible to make reference to the then financial position, capital structure and cost of funding of the Group as well as the then market condition in order to decide a suitable financing method for the future investment of the Group.

### **4. Potential Dilution to Shareholdings of the Shareholders**

Shareholders should note that the New General Mandate if approved by the Independent Shareholders at the EGM will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting, (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held, and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed as ordinary resolution of the Shareholders in general meeting.

## LETTER OF ADVICE FROM ASIAVEST

The table below sets out the potential dilution effect on the shareholding of the Company upon full utilization of the New General Mandate.

	As at the Latest Practicable Date		Upon full exercise of the New General Mandate	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
<b>Substantial Shareholder and Director</b>				
Mr. Luk Wing Kwong, Quintin ( <i>Note 1</i> )	50,351,800	15.34	50,351,800	12.78
<b>Public</b>				
Shares to be issued under the New General Mandate	-	-	65,647,113	16.67
Public Shareholders	277,883,769	84.66	277,883,769	70.55
<b>Total</b>	328,235,569	100.00	393,882,682	100.00

Upon utilization in full of the New General Mandate, 65,647,113 new Shares can be allotted and issued, representing approximately 20% and 16.7% of the total issued share capital of the Company as at the Latest Practicable Date and the then enlarged issued share capital of the Company respectively. The aggregate shareholding of the public Shareholders upon full utilization of the New General Mandate will, therefore, decrease from approximately 84.66% to approximately 70.55%, representing a potential maximum dilution of approximately 16.67%.

Taking into account that (i) the New General Mandate will allow the increase in capital which may be raised by way of new equity issue under the New General Mandate; (ii) the Group maintains cash balance just marginally covering the aforesaid two significant cash outflows in 2012 (amounting to HK\$74 million), which leaves the Company with no cash balance for its general working capital and other uses; (iii) the Group experienced the losses in the last three consecutive years and the current high gearing position; (iv) the New General Mandate will provide an alternative of financing to the Group for future development of its business and potential investment as and when such opportunities arise; (v) the previous placing exercises under the general and refreshed mandates resulted in the individual dilution ranging from 4.71% to 10.56% considered as acceptable to the existing Shareholders and (vi) the fact that the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholdings upon utilization of the New General Mandate, we consider that such maximum potential dilution to the shareholdings of the Shareholders to be justifiable.

## LETTER OF ADVICE FROM ASIAVEST

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the refreshment of the Existing General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote for the ordinary resolution to be proposed at the EGM to approve the New General Mandate as outlined above.

Yours faithfully,  
For and on behalf of  
**AsiaVest Partners Limited**  
**Sam Lum**  
*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 the extraordinary general meeting of TLT Lottotainment Group Limited (the “Company”) will be held at 11:00 a.m. on Monday, 5 March 2012 at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the general mandate granted to the directors of the Company to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 9 May 2011 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the unissued shares in the capital of the Company (each a “Share”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers after the expiry of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share



## NOTICE OF EXTRAORDINARY GENERAL MEETING

option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the authority pursuant to paragraph (b) of this resolution shall be limited accordingly; and

(e) for the purposes of this resolution:

**“Relevant Period”** means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

**“Rights Issue”** means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares whose names appear on the Company’s register of members on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).”

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

Hong Kong, 17 February 2012

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office:*

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

*Notes:*

1. A member of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's Share Registrar in Hong Kong, Hong Kong Registrars Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting (or the adjourned meeting, as the case may be).

As at the date of this notice, the executive directors of the Company are Mr. Cheung Man Yau, Timothy, Mr. Lee Chi Shing, Caesar, Mr. Chan Kin Yip and Ms. Cheng Sze Man; 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 notice, 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 notice 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 notice misleading.

This notice will remain on the "Latest Company Announcements" page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication.