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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)

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS, UPDATE ON THE CONVERTIBLE BONDS ISSUED BY THE COMPANY ON 28 OCTOBER 2011 AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended from 1:00 p.m. on 25 May 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 28 May 2012.

The board of directors (the “Board”) of the Company has noted the recent decrease in the price and increase in trading volume of the shares of the Company and wish to state that, save as disclosed below, we are not aware of any reasons for such increase and decrease.

Save as disclosed below, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Reference is made to the announcements of the Company dated 8, 23 and 29 August 2011, 28 October 2011 and 7 May 2012 and the circular of the Company dated 3 October 2011 relating to the HK\$50 million convertible bonds (the “Bonds”) issued by the Company.

Under the terms and conditions of the instrument dated 28 October 2011 constituting the Bonds (the “Instrument”), the Maturity Date of the Bonds is defined by the Instrument to mean six months from the issue date of the Bonds (the issue date being 28 October 2011) or extended at the discretion of the Company by the service of the Company to the holder of the Bonds not less than 14 days’ advance written notice, to the date falling 12 months from the issue date of the Bonds.

On 3 and 11 April 2012 the Company served Sun Finance Company Limited (“Sun Finance”, being the holder of the Bonds) with notices exercising its discretion to extend the Maturity Date of the Bonds to the date falling 12 months from the issue date of the Bonds, namely, 28 October 2012. Under the terms of the Instrument, interest accrued on the Bonds shall be paid by the Company to holder of the Bonds in arrears on one occasion on the Maturity Date of the Bonds on 28 October 2012 as extended by the Company.

On 2 May 2012, Sun Finance sent a letter to the Company stating that before Sun Finance would decide whether to allow the extension of the Maturity Date, it requested from the Company (i) upfront payment of interest accrued by the Bonds in the sum of HK\$4,500,000, and (ii) the original of the promissory note in the principal sum of HK\$106,222,355 due in 2013 without interest held by Premier Capital Enterprises Limited issued by the Company (the “Promissory Note”). On 9 May 2012, Sun Finance sent another letter to the Company informing the Company that it would not allow the extension of the Maturity Date owing to the fact that the Company had failed to provide Sun Finance with the matters requested in its letter of 2 May 2012.

On 17 May 2012, the Company received two letters from the solicitors of Sun Finance. In one of the letters, it was alleged that: (a) a notice of default was served by Sun Finance on the Company on 2 May 2012 pursuant to Clause 11.1(ii) of the Instrument and a reminder thereof was served by Sun Finance on the Company on 9 May 2012, and (b) the Bonds have immediately become due and repayable. In the other letter which included a statutory demand, it was alleged that the Company was indebted to Sun Finance in the sum of HK\$54,975,000 as at 17 May 2012 (the “Indebtedness”) and the Company was demanded full payment of the Indebtedness and notice pursuant to Sections 177 and 178 of the Companies Ordinance, Chapter 32, of the Laws of Hong Kong was served on the Company that if the Indebtedness was not paid by the Company within 21 days of the date of the statutory demand or if the Company did not secure or compound for the Indebtedness to Sun Finance’s reasonable satisfaction, Sun Finance would proceed under the provisions of the Companies Ordinance for the winding up of the Company by the court.

The Board is of the view that the requests, statements and allegations made by Sun Finance in the above-mentioned letters from Sun Finance and its solicitors are incorrect, unreasonable and misconceived on the basis of, amongst others, the following:

- (A) the decision to extend the Maturity Date of the Bonds for a further six months until 28 October 2012 is in the discretion of the Company without the need to obtain any consent from Sun Finance,
- (B) Sun Finance is not entitled under the Instrument to demand upfront payment of accrued interest, and
- (C) The Company has complied in full and has not breached any of its obligations under the Instrument.

Having sought legal advice from the Company's solicitors, the Board is of the view that Sun Finance's claims and allegations and its threat to commence immediate legal action against the Company is groundless. Accordingly, the Board believes that the matters described in this announcement will not have any material impact on the Company. The Company will proceed to seek course against Sun Finance from court (including, without limitation, injunctive remedies) if Sun Finance does not withdraw the statutory demand. Furthermore, the Company will defend the claims of Sun Finance and will defend any proceedings for the winding up of the Company by the court brought by Sun Finance strenuously.

On 24 May 2012, the Company received a letter from Sun Finance stating that the Instrument had already been terminated. After careful consideration by the Board, the Company on 25 May 2012 (after trading hours) accepted Sun Finance's position regarding termination of the Instrument. The Company intends to pay the debt owing to Sun Finance on or before 28 October 2012.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in shares of the Company and if they are in any doubt about their position, they should consult their professional advisers.

Made by the order of the Board of TLT Lottotainment Group Limited, the directors of which collectively and individually accept responsibility for the accuracy of this announcement.

By order of the Board
TLT Lottotainment Group Limited
Yip Man Yi
Chairman and Executive Director

Hong Kong, 27 May 2012

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Ms. Yip Man Yi (*Chairman*)

Mr. Cheung Man Yau, Timothy (*Chief Executive Officer*)

Mr. Lee Chi Shing, Caesar

Ms. Cheng Sze Man

Mr. Chan Yun Fai

Mr. Au Yeung Yiu Chung

Independent Non-executive Directors:

Mr. Fung Wai Shing

Mr. Li Kwok Chu

Mr. Chiu Koon Shou

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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