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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)

PROPOSE CHANGE OF CONDITIONS OF CONVERTIBLE NOTE

On 8 January 2013 (after trading hours), the Company and the Noteholder entered into the Extension Agreement to amend the Conditions relating to (a) the maturity date of the Convertible Note by extension of one year to 28 March 2014; (b) interest by providing interest of 2% per annum on the outstanding principal of the Convertible Note and related provisions on the extinction of rights to repayment, interest on conversion amount, early redemption by the Company and non-payment; (c) the right to convert into Shares by changing it from 5% to 29.9%; (d) the public float restriction by adding new Condition and (e) the Conversion Price by changing it to HK\$0.50 per Conversion Share.

For the purpose of the GEM Listing Rules, the Proposed Terms contemplated by the Extension Agreement will be treated as an issue of new convertible note and are therefore subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the outstanding Convertible Note.

Therefore, the Proposed Terms are subject to reporting and announcement requirements, as well as approval by the Shareholders at the EGM under the GEM Listing Rules.

A circular containing details of the Convertible Note, the Proposed Terms and the letters from the Board will be despatched to the Shareholders within 15 days after the date of this announcement, i.e. on or before 29 January 2013, in compliance with the GEM Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 15 February 2011 and 28 March 2011 and the circular of the Company dated 7 March 2011. As disclosed, on 28 March 2011 the Company issued the Convertible Notes in the aggregate principal amount of HK\$60 million with maturity date on 28 March 2013 which can convert into Shares at the initial conversion price of HK\$0.28 per Conversion Share.

As at the date of this announcement, the aggregate outstanding principal amount of the Convertible Note is HK\$28,080,000 which is legally and beneficially owned by the Noteholder.

For further details of the Convertible Note, please refer to the circular of the Company dated 7 March 2011.

EXTENSION AGREEMENT

On 8 January 2013 (after trading hours), the Company and the Noteholder entered into the Extension Agreement to amend the Conditions relating to:–

- (a) the maturity date of the Convertible Note by extension of one year to 28 March 2014;
- (b) interest by providing interest of 2% per annum on the outstanding principal of the Convertible Note and related provisions on the extinction of rights to repayment, interest on conversion amount, early redemption by the Company and non-payment;
- (c) the right to convert into Shares by changing it from 5% to 29.9%;
- (d) the public float restriction by adding new Condition; and
- (e) the Conversion Price by changing it to HK\$0.50 per Conversion Share.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Noteholder is Independent Third Party.

The Extension Agreement is conditional upon the following conditions:

- (a) the Company having convened an extraordinary general meeting at which resolutions shall have been duly passed by the Shareholders to approve and ratify the Extension Agreement;
- (b) the Stock Exchange having approved to the amendments to the Conditions; and
- (c) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of conversion rights under the outstanding Convertible Note.

The Proposed Terms will take effect as from 28 March 2013 subject to all the conditions of the Extension Agreement having been fulfilled. If all of the conditions are not fulfilled before 28 March 2013, the parties to the Extension Agreement will not be bound to proceed with the transactions contemplated under the Extension Agreement and the Extension Agreement will cease to have any effect.

Apart from the Proposed Terms, all terms of the Convertible Notes remain unchanged from the original terms. A summary of the principal terms of the Convertible Notes after the Extension Agreement becomes effective are as follows:

Issuer:	The Company
Outstanding Principal Amount:	HK\$28,080,000
Interest:	The Convertible Note shall bear interest on the outstanding principal amount thereof at the rate of 2% per annum as from and inclusive of 28 March 2013 payable quarterly on 28 June 2013, 28 September 2013, 28 December 2013 and 28 March 2014 unless in the event upon due presentation of the Convertible Note for redemption or repayment whether upon maturity or occurrence of an event of default or as otherwise provided for in the Conditions, payment of the principal and/or interest is improperly withheld or refused, then such amount improperly withheld or refused will bear default interest at 1% per annum above the Prime Rate from the date of such improper withholding or refusal of payment until the day of full payment
Conversion Period:	Subject to the restrictions in conversion as contained in the Conditions, the Noteholder shall be entitled to convert the Convertible Note into the Conversion Shares at any time during the period commencing from the date of issue of the Convertible Note up to 4:00 p.m. on the maturity date of the Convertible Note
Conversion Right:	The Noteholder shall have the right to convert the Convertible Note into Shares at any time during the Conversion Period, provided that no Conversion Right may be exercised, to the extent that following such exercise, the Noteholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, will directly or indirectly, control or be interested in more than 29.9% of the entire issued Shares

Public Float Restriction:	The Noteholder shall have no right to exercise, and shall not exercise, the Conversion Right if, as a result of such exercise, less than 25% of the Company's issued Shares would be held by the public immediately after the relevant exercise of Conversion Right and the Company shall disregard any notice of exercise of Conversion Right if less than that percentage would be held by the public immediately after giving effect to such notice
Conversion Price:	HK\$0.50 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Shares, in accordance with the terms and conditions of the Convertible Note
	<i>The Conversion Price represents:</i>
	(i) a premium of approximately 47.06% to the closing price per Share as quoted on the Stock Exchange of HK\$0.34 on 31 December 2012, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Extension Agreement; and
	(ii) a premium of approximately 54.80% to the average of the closing prices per Share for the last five trading days ended on 31 December 2012, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Extension Agreement.
Early Redemption:	At any time prior to the Maturity Date, at the sole discretion of the Company, the Company may cancel and redeem such principal amount outstanding under the Convertible Note by payment of 100% of such outstanding principal amount and any accrued interest thereon
Ranking of Conversion Shares:	Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date
Maturity:	The date falling on the third anniversary of the Issue Date, i.e. 28 March 2014
Voting Rights:	The Noteholder shall not have any right to attend or vote in any general meeting of the Company by virtue of being the Noteholder

Transferability:	The Convertible Notes are transferable with the Company's prior written consent, provided any transfer of the Convertible Note to any connected person of the Company shall be subject to the requirements (if any) that the Stock Exchange may impose from time to time
Status:	The Convertible Note constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for the obligations accorded preference by mandatory provisions of applicable laws
Listing:	No application will be made for the listing of the Convertible Notes. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the outstanding Convertible Note

If the outstanding Convertible Notes are fully converted at the initial conversion price of HK\$0.50, a maximum of 56,160,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Notes in full, which represents: (i) approximately 85.55% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 46.11% of the issued share capital of the Company as to be enlarged by the issue of the 56,160,000 Conversion Shares.

REASONS FOR THE EXTENSION AGREEMENT

The Proposed Terms effectively allows the Group to refinance the debts under the Convertible Note for a further one year at a relatively low interest rate of 2% per annum and to change the Conversion Price under the Convertible Note to bring it closer in line with the prices at which Shares of the Company are trading at recently. Save for the Proposed Terms, other terms and conditions of the Convertible Bonds remain unchanged. The Board considers that the terms and conditions of the Extension Agreement are fair and reasonable and the Proposed Terms are in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the Proposed Terms.

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SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and immediately after the full conversion of the outstanding Convertible Note is as follows:

	Number of Shares			
	Existing	%	After full conversion	%
Public	65,647,113	100%	65,647,113	53.89%
Noteholder	0	0%	56,160,000	46.11%
	65,647,113	100%	121,807,113	100%

FUND RAISING ACTIVITY IN PAST TWELVE MONTHS

The following are the details of the fund raising activities of Company in the past twelve months before the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
4 October 2012	Placing of 6,564,711 new Consolidated shares under general mandate	HK\$2.98 million	For financing the general working capital needs of the Group	Funds of HK\$2.14 million were used for payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expenses
8 June 2012, 20 June 2012, 4 July 2012, 6 July 2012, 18 July 2012 and 3 August 2012	Rights issue of 196,941,341 Pre-consolidated shares	HK\$8.7 million	The payment of the interest and/or the principal due under the loan facility entered into between the Company and Gain All Investments Limited on 30 May 2012 (the "Loan Facility")	Funds of HK\$8.7 million were used for the payment of the interest due under the Loan Facility. The remaining balance will be used as intended and applied for future payment of the interest due under the Loan Facility

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
23 May 2012	Placing of 65,647,113 new Pre-consolidated shares under general mandate	HK\$7.32 million	For financing the general working capital needs of the Group	Funds of HK\$7.32 million were used for payment of operating expenses of the Group including the payment of rent, building management fee, salary, legal and professional fee and interest expenses

Save and except for the above, the Company has not conducted any fund raising activities in the 12 months immediately preceding the date of this announcement.

GEM LISTING RULES IMPLICATIONS

For the purpose of the GEM Listing Rules, the Proposed Terms contemplated by the Extension Agreement will be treated as an issue of new convertible Notes and are therefore subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the outstanding Convertible Notes. Therefore, the Proposed Terms are subject to reporting and announcement requirements under the GEM Listing Rules.

Application will be made to the GEM Listing Committee of the Stock Exchange for its approval for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the outstanding Convertible Notes.

INFORMATION ON THE GROUP AND THE NOTEHOLDER

The Group is principally engaged in the rendering of travel agent services, entertainment, programme production, events organisation, TV-series production, operation of an artist training school and operation of stage drama during the financial year ended 31 December 2011. Subsequent to the financial year ended 31 December 2011, the Group acquired the equity interests in Hong Kong Marketing Service Limited and extended its principal activities to product advertising and promotion, marketing agency and planning, functional organization and media project services. In July and August 2012, the Group also engages in securities investments and money lending business respectively. On 26 November 2012, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Mass Apex Limited. Mass Apex Limited together with its subsidiaries are principally engaged in the trading of raw food materials business in Hong Kong. On 28 December 2012, the Company has exercised a pre-approved put option to transfer back all the shares of Dragon Gain Worldwide Limited to their original vendors at the pre-agreed put option exercise price of HK\$49,200,000, Shareholders are referred to the announcements of the Company dated 28 December, 2012 for further details. On 28 December, 2012, the Board has served notice to exercise a put-option on to put back 51% of the entire issued shares of

Fountain City Holdings Limited to their original vendor, the transaction would constitute a very substantial disposal and connected transaction on the part of the Company under the GEM Listing Rules, the transaction shall be subject to the reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules, at the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 2 January 2013 pending the release of an announcement relating to the very substantial disposal and connected transaction.

GENERAL

A circular containing details of the Convertible Note, the Proposed Terms and the letter from the Board will be despatched to the Shareholders on or before 29 January 2013 in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“associate”	has the meaning ascribed thereto under the GEM Listing Rules;
“Board”	the board of directors of the Company;
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong, whose shares are listed on the GEM;
“Condition(s)”	condition(s) of the Convertible Note;
“connected person(s)”	as the meaning ascribed thereto under the GEM Listing Rules;
“Conversion Price”	HK\$0.10 per Conversion Share, subject to adjustment under the terms and conditions of the Convertible Note;
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Note from time to time;
“Convertible Note”	the convertible note with principal amount of HK\$60,000,000 due 2013 issued by the Company on 28 March 2011;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Proposed Terms;

“Extension Agreement”	the agreement entered into between the Company and the Noteholder on 8 January 2013 for the Proposed Terms;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules);
“Issue Date”	28 March 2011;
“Maturity Date”	the maturity date of the Convertible Note;
“Noteholder(s)”	Fung Yue Tak, Derek or any subsequent holder(s) of the Convertible Note;
“Prime Rate”	the rate of interest per annum as announced or applied by the Hong Kong and Shanghai Banking Corporation Limited, Hong Kong branch from time to time as its prime interest rate in Hong Kong for lending HK\$;
“Proposed Terms”	together to amend the Conditions relating to (a) the maturity date of the Convertible Note by extension of one year to 28 March 2014; (b) interest by providing interest of 2% per annum on the outstanding principal of the Convertible Note and related provisions on the extinction of rights to repayment, interest on conversion amount, early redemption by the Company and non-payment; (c) the right to convert into Shares by changing it from 5% to 29.9%; (d) the public float restriction by adding new Condition and (e) the Conversion Price by changing it to HK\$0.50 per Conversion Share;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of par value of HK\$0.50 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 8 January 2013

As of the date of this announcement, the executive directors of the Company are Ms. Yip Man Yi, Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung; and the independent non-executive directors of the Company are Mr. Lau Shu Yan, Mr. Chiu Koon Shou and Mr. Li Kwok Chu.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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