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

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

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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

A letter from the Board is set out on pages 4 to 20 of this circular.

A notice convening the EGM is set out on pages 21 to 22 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

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

13 March 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

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DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the GEM Listing Rules;
“Board”	the board of directors of the Company;
“Companies Ordinance”	Companies Ordinance Cap 32 of the Laws of Hong Kong;
“Company”	TLT Lottotainment Group Limited, a company incorporated in Hong Kong, whose shares are listed on the GEM;
“Condition(s)”	condition(s) of the the Convertible Note;
“connected person(s)”	as the meaning ascribed thereto under the GEM Listing Rules;
“Conversion Price”	the initial conversion price of HK\$0.28 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(s)”	the convertible(s) 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;
“Further Supplemental Deed”	the Further Supplemental Deed entered into between the Company and the Noteholder on 1 March 2013 for the Proposed Amendments;
“GEM”	the Growth Enterprise Market of the Stock Exchange;

DEFINITIONS

“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;
“Latest Practicable Date”	13 March 2013, being the latest practicable date for ascertaining certain information contained in this circular;
“Maturity Date”	the maturity date of the Convertible Note;
“Noteholder(s)”	Fung Yue Tak, Derek or any subsequent holder(s) of the Convertible Note(s);
“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 Amendments”	together to amend the Conditions by adding three new events of default, including (a) any change of the members of the Board without the prior written consent of the Noteholder; (b) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board; and (c) any bonds, debentures, notes or other instruments or indebtedness or any other loan indebtedness of or issued by the Company become or becomes prematurely repayable following a default in respect of the terms thereof, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such indebtedness at the maturity thereof;

DEFINITIONS

“Proposed Open Offer”	the proposed open offer of the Company on the basis for two Offer Shares for every one existing Share held on the record date at the subscription price of HK\$0.50 per Offer Share, details of which are set out in the announcement of the Company dated 7 February 2013;
“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);
“Specific Mandate”	a specific mandate to cover the allotment and issue of 56,160,000 Conversion Shares on change of the Conversion Price to HK\$0.50 per Conversion Share;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases;
“VSA”	the proposed very substantial acquisition by the Company of the entire issued share capital of Mass Apex Limited, details of which are set out in the announcement of the Company dated 4 December 2012;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.



TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

13 March 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSE CHANGE OF CONDITIONS
OF CONVERTIBLE NOTE**

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 Note 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 Latest Practicable Date, 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.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Proposed Terms and the Proposed Amendments; (ii) the letter of advice from the Board; and (iii) a notice of EGM to consider and, if thought fit, to approve the resolution in relation to the Extension Agreement and the Further Supplemental Deed and the transactions contemplated thereunder and the granting of the Specific Mandate.

LETTER FROM THE BOARD

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) the 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.

As at the Latest Practicable Date, the Noteholder is the holder of 654,000 Shares representing approximately 1.00% of the total issued shares of the Company which the Noteholder acquired through the placing of new shares under general mandate disclosed in the announcement of the Company dated 4 October 2012. Save as disclosed above, to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Noteholder and his associates do not have any other shareholding in the Company and the Noteholder and his associates are Independent Third Parties and do not have any relationship, either personal or business, directly or indirectly, with the Group and its connected persons, the vendor of the VSA and his associates, and any vendors of the corporate transactions conducted by the Group in the past 24 months from the Latest Practicable Date.

FURTHER SUPPLEMENTAL DEED

Further to the announcement of the Company dated 7 February 2013 relating to the Open Offer, the Company was approached by the Noteholder expressing his concerns on the possibility of changes in the composition of the Board and continuity of the management of the Company and the Noteholder has further expressed feeling that it is unfair to him that the Company will not apply the fund generated from the Proposed Open Offer to repay the Convertible Note and the Noteholder has requested to further negotiate with the Company on the terms and conditions on the proposed extension of the Maturity Date of the Convertible Note and has requested to further amend the Conditions by adding new events of default to restrict the Company to change the members of the Board and to restrict premature repayment of any indebtedness owed by the Company.

On 1 March 2013 (after trading hours), the Company and the Noteholder entered into the Further Supplemental Deed to further amend the Conditions by adding three new events of default as per the Amendments, including:-

- (a) any change of the members of the Board without the prior written consent of the Noteholder;

LETTER FROM THE BOARD

- (b) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board; and
- (c) any bonds, debentures, notes or other instruments or indebtedness or any other loan indebtedness of or issued by the Company become or becomes prematurely repayable following a default in respect of the terms thereof, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such indebtedness at the maturity thereof.

CONDITIONS PRECEDENT OF THE EXTENSION AGREEMENT AND THE FURTHER SUPPLEMENTAL DEED

The Extension Agreement and the Further Supplemental Deed are inter conditional upon the following conditions:-

- (a) an ordinary resolution approving the Proposed Terms under the Extension Agreement and the Proposed Amendments under the Further Supplemental Deed having been duly passed at an extraordinary general meeting of the Company in accordance with the articles of association of the Company and the GEM Listing Rules with such shareholders of the Company who are prohibited from voting under the GEM Listing Rules (if any) abstaining from voting;
- (b) the Stock Exchange having approved the Proposed Terms under the Extension Agreement and the Proposed Amendments under the Further Supplemental Deed to amend the existing terms and conditions of the Convertible Note;
- (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 the Conversion Rights under the Convertible Note as supplemented by the Proposed Terms under the Extension Agreement and the Proposed Amendments under the Supplemental Deed.

The Proposed Terms and the Proposed Amendments will take effect immediately upon the fulfillment of the abovementioned conditions. In the event that the abovementioned conditions shall not have been fulfilled before 28 March 2013, then both of the Extension Agreement and the Further Supplemental Deed shall be terminated forthwith and the outstanding principal and other monies due under the Convertible Note shall become payable on 28 March 2013.

LETTER FROM THE BOARD

Apart from the Proposed Terms and the Proposed Amendments, all terms of the Convertible Note remain unchanged from the original terms. A summary of the principal terms of the Convertible Note after the Extension Agreement and the Further Supplemental Deed become 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 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 pm on the maturity date of the Convertible Note
Conversion Right and Conversion Restriction:	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

LETTER FROM THE BOARD

Conversion Price: HK\$0.50 per Conversion Share, subject to customary adjustments for convertible securities of a similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including sub-divisions and consolidations of the Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Share at more than 20% discount to the then market value of the Shares, in accordance with the terms and conditions of the Convertible Note

Basis of determining the new Conversion Price:

The new Conversion Price was arrived at based on normal commercial term after arm's length negotiations between the Company and the Noteholder and was determined after taking into the par value of HK\$0.50 per Share and the restrictions under the Companies Ordinance on the Company to issue Shares at a discount unless sanctioned by the court, the prices at which Shares of the Company are trading under its par value of HK\$0.50 per Share recently and the lower than market interest rate that the Company would be paying to the Noteholder under the Proposed Terms

The Conversion Price represents:

- (i) a premium of approximately 40.85% to the closing price per Share as quoted on the Stock Exchange of HK\$0.355 on 8 January 2013, 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 60.77% to the average of the closing prices per Share for the last five trading days ended on 8 January 2013, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Extension Agreement

LETTER FROM THE BOARD

Effect of the Proposed Open Offer on the adjustment of the Conversion Price and number of Conversion Shares:

There will be no adjustment on the Conversion Price and the number of Conversion Shares in the event the Proposed Open Offer is completed as the subscription price of HK\$0.50 per Offer Share under the Proposed Offer is at a premium of 49.25% to the market value of the Shares of HK\$0.335 per share on last trading day immediately proceeding to the date of the announcement of the Proposed Open Offer on 7 February 2013, which represents not more than 20% discount to the then market value of the Shares and thus there will be no need to do the adjustment under the terms and conditions of the Convertible Note.

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

LETTER FROM THE BOARD

- 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
- Events of Default
- (i) a default is made in the payment of any principal due in respect of the Convertible Note;
 - (ii) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of the Convertible Note;
 - (iii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Convertible Note and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the Convertible Note) and such default continues for the period of 30 days next following the service by the Noteholder on the Company of notice specifying brief details of such default and requiring such default to be remedied;
 - (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such cases, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganization, the terms of which shall have previously been approved in writing by the Noteholder;

LETTER FROM THE BOARD

- (v) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company or any of its subsidiaries;
- (vi) if the Shares are suspended by the Stock Exchange for a period of 30 consecutive trading days (other than any suspension of trading pending the release of any announcement as required under Chapter 19 or Chapter 20 of the GEM Listing Rules) or listing of the Shares on the Stock Exchange are being revoked or withdrawn;
- (vii) if there is not sufficient number of Shares of the Company available for fulfillment of the obligations regarding the conversion of the Convertible Note;
- (viii) any change of the members of the Board without the prior written consent of the Noteholder;
- (ix) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board; or
- (x) any bonds, debentures, notes or other instruments or indebtedness or any other loan indebtedness of or issued by the Company become or becomes prematurely repayable following a default in respect of the terms thereof, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such indebtedness at the maturity thereof

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

LETTER FROM THE BOARD

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 circular; 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.

There is no provision under the Convertible Note to restrict the Noteholder or any holders of the Convertible Note to dispose of the Conversion Shares.

REASONS FOR THE EXTENSION AGREEMENT AND THE FURTHER SUPPLEMENTAL DEED

The Proposed Terms allow the Company to extend the Maturity Date by one year until 28 March 2014 and in return the Company shall pay interest to the Noteholder at 2% per annum while no interest is payable under the original terms of the Convertible Note. Payment of interest on the outstanding Convertible Note at the rate of interest of 2% per annum is requested by the Noteholder as part of the consideration for extending the Maturity Date. The Director considers the rate of interest payment of 2% per annum is reasonable as the Company has considered alternative means to refinance the existing debts under the Convertible Note like bank borrowing and other debt financing but finds the interest rates quoted by a bank of similar loan borrowing at 9.25% per annum much more expensive than interest rate of 2% per annum requested by the Noteholder, and moreover, collaterals are requested to be put up by the Company. The Company has also considered other alternative means to refinance the existing debt under the Convertible Note by internal resources and equity financing, however, the Director considers it will be in the interest of the Company and its Shareholders as a whole to extend the Maturity Date for one year at the relatively low interest rate of 2% per annum so as to allow the Company more flexibility to manage its financial resources and applying its currently available internal resources and any fund generated from the Proposed Open Offer to repay the loan facility granted by Gain All Investments Limited to the Company that attracts interest at the rate of 1.5% per month while is much higher than the interest rate of 2% per annum required by the Noteholder under the Proposed Terms.

The initial Conversion Price for the Convertible Shares is HK\$0.28, however, the Conversion Price is adjusted to HK\$11.90 per Conversion Shares following the rights issue of the Company on 11 September 2012 and the consolidation of the Shares on 19 September 2012 which is approximately 3,352% of the closing price per Share as quoted on the Stock Exchange of HK\$0.355 on 8 January 2013 and is not at all attractive for the Noteholder to exercise the Conversion Right to convert any part of the outstanding Convertible Note into Conversion Shares. During the course of negotiation between the Company and the Noteholder on the extension of the Maturity Date, the Noteholder has further requested to change the Conversion Price to make it closer in line with the price of the Shares that are trading in the market and to change the Conversion Restriction to allow the Noteholder a higher ceiling in exercising the Conversion Right to convert the Convertible Note into Conversion Shares, and the parties finally come to the Proposed Terms to change the Conversion Price to HK\$0.50 which is equivalent to the par value of the Shares and the lowest price that the Company is allowed to allot and issue the Shares at and to change

LETTER FROM THE BOARD

Conversion Restriction from 5% to 29.9% to make it more attractive to the Noteholder to consider exercising the Conversion Rights to convert a larger part of the outstanding Convertible Note into Conversion Shares and thereby releasing the Company from having to repay any part of the outstanding Convertible Note that may be converted into Conversion Shares by the Noteholder.

Having considered the above and the fact that the Company will have financial difficulty to redeem the Convertible Note on its current Maturity Date of 28 March 2013 and the difficulty and high cost the Company will face to seek alternative source of finance to replace the Convertible Note and having balanced it with the undesirable possibility of the dilution effect upon full conversion of the Convertible Note and the increased interest liability of the Company over the outstanding amount of the Convertible Note at 2% per annum on the one hand, and the desirable result of getting better flexibility for the Company to manage and plan its financial resources by the extension of the Maturity Date for one year and the higher possibility of the Noteholder exercising the right to convert the Convertible Note, either in part or in whole, to Conversion Shares after changing the Conversion Price which would enlarge the Shareholders base of the Company, the Board considers that the terms and conditions of the Extension Agreement are of normal commercial terms, fair and reasonable and in the interest of the Company and Shareholders as a whole and the entering into the Extension Agreement with the Proposed Terms is the best alternative and in the best interests of the Company and the Shareholders as a whole.

In the event the Proposed Terms and the Extension Agreement is approved the Company intends to settle the interest payments and repayment of the outstanding Convertible Note upon maturity on 28 March 2014 by resources generated internally and by future fund raising exercises, however, as at the Latest Practicable Date, apart from the Proposed Open Offer, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) on any further fund raising activities (including issue of new Shares and/or convertible securities of the Company).

The Noteholder is in essence a creditor of the Company and in normal loan transaction it is usual for the lender to require the controlling shareholder, who are usually also controlling majority of the board of directors, of the borrower, to agree or undertake to remain the controlling shareholder and majority of the board of directors of the borrower and will make it an event of default if the controlling shareholder ceased to be the controlling shareholders or lost control of the board of directors of the borrower. The Noteholder, has expressed his concerns over the consistency and continuity of the management of the Company in the absence of any controlling Shareholder of the Company and according, the Noteholder has requested to further amend the Conditions by adding in new events of default, including (a) any change of the members of the Board without the prior written consent of the Noteholder, and (b) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board.

LETTER FROM THE BOARD

The Board considers that the combine effect of the new events of default of (a) any change of the members of the Board without the prior written consent of the Noteholder, and (b) the existing Directors of the Company as at the date of the Further Supplemental Deed no longer constitute the majority of the members of the Board will address the Noteholder's concerns over the consistency and continuity of the management of the Company in the absence of any controlling Shareholder and allow the Noteholder to monitor changes in the management of the Company to allow him to ensure that during the term of the Convertible Note the Company will maintain a consistent and continuing management, and new events of default (a) and (b) only allow the Noteholder to restrict changes of the composition of the Board, they do not confer any right to the Noteholder to change the composition of the Board and the Company is still being managed by the current members of the Board.

The Board having considered the fact that the Company will have financial difficulty to redeem the Convertible Note on its current Maturity Date of 28 March 2013 and the difficulty and high cost the Company will face to seek alternative source of finance to replace the Convertible Note and the normal commercial terms usually required by lender over the continuity of control in shareholding and board of directors in loan transactions, is of the view that the Proposed Amendments, including the new event of default (c) any bonds, debentures, notes or other instruments or indebtedness or any other loan indebtedness of or issued by the Company become or becomes prematurely repayable following a default in respect of the terms thereof, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such indebtedness at the maturity thereof, considers the terms and conditions of the Further Supplemental Deed are of normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole, as it will gain the support and agreement of the Noteholder to extend the Maturity Date of the Convertible Note for a further one year.

The Board confirms that the Company is entering into the Extension Agreement and the Further Supplemental Deed with the Noteholder in his capacity as creditor of the Company and the terms and conditions therein are considered widely accepted in debt instruments and do not contravene with the fairness principle of GEM Listing Rules 2.06(4). The Board considers that the Noteholder, although has the right to convert the Convertible Note into fully paid up Shares of the Company, he is in essence a creditor of the Company, hence, his position and status is different from that of Shareholders of the Company and the discussions and negotiations conducted by the Company and the Noteholder are done on the basis that he is a creditor of the Company. The Board considers that by agreeing to amend the Conditions of the Convertible Note by adding new events of default as per Proposed Amendments (a) and (b) do not constitute any unfair and unequal treatment to all holders of listed securities in the Company as the rights under Proposed Amendments (a) and (b) are only conferred to the Convertible Note and not the Conversion Shares issued thereunder.

As at the Latest Practicable Date, the Company does not have any intention to change the composition of the Board.

LETTER FROM THE BOARD

Save for the Proposed Terms and the Proposed Amendments, other terms and conditions of the Convertible Bonds remain unchanged and as at the Latest Practicable Date, the Company has no intention and plan (concluded or contemplating) to further change the terms and conditions of the Convertible Note.

The Board considers that the terms and conditions of the Extension Agreement and the Proposed Terms and the terms and conditions of the Further Supplemental Deed and the Proposed Amendments are (i) on normal commercial terms; (ii) fair and reasonable; and (iii) 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 and the Proposed Amendments.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and immediately after (i) the scenario of the full conversion of the outstanding Convertible Note by the Noteholder, assuming full conversion without Conversion Restriction and Public Float Restriction (which is for illustration purpose only and would not happen); (ii) the scenario of the maximum conversion of the outstanding Convertible Note by the Noteholder subject to the Conversion Restriction and Public Float Restriction; and (iii) the scenario of the full conversion of the outstanding Convertible Note by the Noteholder after completion of the Proposed Open Offer are as follows:

	Effect of Shareholding									
	As at the Latest Practicable Date		With conversion and public float restriction to 29.9% ^(Note 1)				Without conversion and public float restriction ^(Note 2)		Without conversion and public float restriction and after completion of proposed Open Offer ^(Note 3)	
	No. of shares	App. %	No. of shares	App. %	No. of shares	App. %	No. of shares	App. %		
Public shareholders	64,993,113	99.00	64,993,113	70.10	64,993,113	53.36	64,993,113	25.68		
Convertible Noteholder	654,000	1.00	27,721,741	29.90	56,814,000	46.64	58,122,000 ^(Note 5&6)	22.96		
The Underwriter and/or sub-underwriters and subscribers procured by them	-	0.00	-	0.00	-	0.00	129,986,226 ^(Note 3&4)	51.36		
	<u>65,647,113</u>	<u>100.00</u>	<u>92,714,854</u>	<u>100.00</u>	<u>121,807,113</u>	<u>100.00</u>	<u>253,101,339</u>	<u>100.00</u>		

Notes:

- 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

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interested in more than 29.9% of the entire issued Shares; and 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.

2. The maximum full conversion (without conversion restriction and public float restriction) is for illustration purpose only and would not happen.
3. Assuming no outstanding share options are being exercised on or prior to the record date and an aggregate of 131,294,226 offer shares are being issued and allotted on completion of the Proposed Open Offer.
4. Assuming no Shareholders (other than the Noteholder) shall participate in the Proposed Open Offer and a total of 129,986,226 Offer Shares are taken up by the Underwriter and/or sub-underwriters and subscribers procured by them.
5. The Noteholder has given an irrevocable undertaking to the Company that he shall not exercise the conversion rights under the Convertible Note to convert the Convertible Note into new Shares or transfer the Convertible Note to any third party up to and including the Record Date.
6. Assuming the Noteholder shall participate in the Proposed Open Offer and take up 1,308,000 Offer Shares.

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 circular:

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

LETTER FROM THE BOARD

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
7 February 2013	Proposed Open Offer of not less than 131,294,226 and not more than 131,635,698 Offer Shares at HK\$0.50 per Offer Share on the basis of two Offer Shares for every one existing Shares held on the Record Date	HK\$65.6 million	Approximately HK\$60 million will be used to repay the loan facility granted by Gain All Investments Limited to the Company and the balance will be used for general working capital	Not applicable

As disclosed in the announcement of the Company dated 7 February 2013, the Company proposed to carry out the Proposed Open Offer, apart from the Proposed Open Offer, as at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) on any further fund raising activities (including issue of new Shares and/or convertible securities of the Company). As at the Latest Practicable Date, save as already disclosed by the Company in its announcements (1) dated 26 November 2012 relating to the acquisition of the entire issued share capital of Mass Apex Limited which principally engaged in the trading of raw food material business in Hong Kong; (2) dated 28 December 2012 relating to the exercise of the put options over 51% of the entire issued shares of Fountain City Holdings Limited which engaged in business of entertainment programme production, event organisation, TV series production and a talent school in the region of Macau; and (3) dated 28 December 2012 relating to the exercise of put option to transfer back all the shares of Dragon Gain Worldwide Limited to their original vendors, whereas Dragon Gain Worldwide Limited engaged in production and management of stage drama worldwide (excluding Japan), including the performance of a novel "Born to be Hero" under a licence granted by Mr. Louis Cha Leung Yung for a period of 5 years; the Company does not have any further plan for the acquisition and/or investment in new business and/or material assets from any independent third parties and/or connected persons of the Company or any disposal, termination, and/or scaling-down of the existing businesses and major assets of the Group.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

As at the Latest Practicable Date, the Group is principally engaged in the businesses of rendering of travel agent services, entertainment, programme production, events organisation, TV-series production, operation of an artist training school, product advertising and promotion, marketing agency and planning, functions organization and media project services, securities investments and money lending.

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. This transaction has not yet completed and is subject to Shareholders' approval.

On 28 December 2012, the Company has exercised a 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 announcement of the Company dated 28 December 2012 for further details. All Shares of Dragon Gain Worldwide Limited had been put back to their original vendors and HK\$17,000,000 of the put options exercise price was already paid to the Company leaving an outstanding sum of HK\$32,200,000 to be paid to the Company in accordance with schedule set out in the announcement of the Company dated 28 December 2012. Dragon Gain Worldwide Limited together with its subsidiary is engaged in organization, production and management of stage drama worldwide (excluding Japan) including the performance of a famous Chinese novel called "Born to be Hero" (天龍八部), under a license granted by its author Mr. Louis Cha Leung Yung for a period of five years.

On 28 December 2012, the Board has served notice to exercise a put-option 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. The transaction of putting back 51% of the entire issued shares of Fountain City Holdings Limited to their original vendor has not been completed yet. Fountain City Holdings Limited together with its subsidiaries are principally engaged in business of entertainment programme production, events organization, TV-series production and operation of a talent school in the region of Macau and Southeast Asia.

INFORMATION OF THE NOTEHOLDER

The Noteholder is aged 42 and graduated from Pepperdine University with a Bachelor's degree in Business Administration, and has been active in managing finances and investments of family-owned enterprises. The Noteholder has been appointed as a director Willie International Holdings Limited, a company listed on the Main Board of the Stock Exchange since June 2011. Save as disclosed, the Noteholder does not hold directorship in any other listed companies.

The Noteholder acquired the Convertible Note on 3 August 2012 through bought and sold note.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not have any intention (concluded or contemplating) and/or is obliged to appoint the Noteholder and/or his associates as Director(s).

GEM LISTING RULES IMPLICATIONS

For the purpose of the GEM Listing Rules, the Proposed Terms contemplated by the Extension Agreement and the Proposed Amendments contemplated by the Further Supplemental Deed 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 Note. Therefore, the Proposed Terms and the Proposed Amendments 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 Note.

As at the Latest Practicable Date, the Noteholder is the holder of 654,000 Shares, the Noteholder and his associates will abstain from voting in respect of the resolution for approving the Proposed Terms under the Extension Agreement and the Proposed Amendments under the Further Supplemental Deed at the EGM.

The Specific Mandate

The Company will seek the Specific Mandate from the Shareholders at the EGM for the issue and allotment of the Consideration Shares.

Listing application

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.

EGM

Set out on pages 21 to 22 of this circular is a notice convening the EGM at which an ordinary resolution will be proposed for the approval by the Shareholders by poll in relation to the Extension Agreement and the Further Supplemental Deed and the granting of the Specific Mandate.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the EGM or any adjournment should you so wish.

LETTER FROM THE BOARD

In compliance with the GEM Listing Rules, the votes to be taken at the EGM in respect of the Extension Agreement and the Further Supplemental Deed and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the EGM.

RECOMMENDATION

The Board, having considers that (i) the terms of the Extension Agreement and the Proposed Terms and the Further Supplemental Deed and the Proposed Amendments are (i) on normal commercial terms; (ii) fair and reasonable; and (iii) in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed in the to approve the Proposed Terms under the Extension Agreement and the Proposed Amendments under the Further Supplemental Deed and the granting of the Specific Mandate.

RESPONSIBILITY STATEMENT

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

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



TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of TLT Lottotainment Group Limited (the “Company”) will be held at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 March 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as ordinary resolution:

ORDINARY RESOLUTIONS

“THAT:

- (a) the Proposed Terms under the Extension Agreement and the Proposed Amendments under Further Supplemental Deed (as defined in the circular to the shareholders of the Company dated 13 March 2013, the “Circular”), copies of which have been produced to this meeting marked “A” and “B” respectively and signed by the chairman of this meeting for identification purpose, the terms and conditions contained therein and the implementation thereof be and are hereby approved, ratified and confirmed and any one or more of the directors of the Company (the “Directors”) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with or otherwise in relation to the Extension Agreement and the Further Supplemental Deed; and
- (b) subject the passing of resolution (a) set out in the notice of the Meeting, the allotment and issue of an aggregate of a maximum of 56,160,000 new shares of HK\$0.50 par value each in the capital of the Company (the “Conversion Shares”) to the Noteholder (as defined in the Circular) at an issue price of HK\$0.50 per Conversion Shares in accordance with the terms and conditions of the Conditions (as defined in the Circular) and the Extension Agreement and the Further Supplemental Deed, be and is hereby approved and the Conversion Shares shall, when allotted and issued, rank pari passu in all respects with the existing shares of the

NOTICE OF EGM

Company in issue at the date of allotment of such new shares and further that the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the power of the Company to allot and issue the Conversion Shares, credited as fully paid, pursuant to the Conditions and the Extension Agreement and the Further Supplemental Deed and the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to passing of this resolution.”

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

Hong Kong, 13 March 2013

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

Notes:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 13 March 2013. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712–71716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (4) In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (5) Any voting at the Meeting shall be taken by poll.