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China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8161)

**DISCLOSEABLE TRANSACTION
(INVOLVING THE ISSUE OF CONSIDERATION SHARES)**

ACQUISITION OF 70% EQUITY INTERESTS IN GUANGZHOU DINGSHANG

The Board is pleased to announce that on 2 November 2011, Huacai Yingtong, a subsidiary of the Company, entered into the Transfer Agreement with the Vendors, and agreed to acquire 70% equity interests in the Target Company in accordance with the Transfer Agreement. The aggregate consideration of the Acquisition is RMB28,000,000 (approximately HK\$34,146,000), which shall be satisfied by (i) a cash payment of RMB12,000,000 (approximately HK\$14,634,000); and (ii) the allotment and issue of 43,360,000 Consideration Shares by the Company in stages for the remaining RMB16,000,000 (the Vendors have provided a guarantee to Huacai Yingtong of RMB8,500,000 and RMB10,000,000 profit before tax of the Target Group for 2011 and 2012 respectively. The number of Consideration Shares will be adjusted if the Profit Guarantee for 2011 or Profit Guarantee for 2012 is not met) at an issue price of HK\$0.45 per Consideration Share (representing a premium of approximately 325% over the closing price per Share on the Last Trading Day) credited as fully paid.

The Target Group is a group of innovative technology companies engaged in mobile Internet value-added business and dedicated to providing premium services to their customers. It offers a wide variety of content and services covering news, entertainment, finance, streaming media and online games through its own products and platform. Based in Guangdong province, the province with China's largest mobile phone user population, the Target Group has built and operated the highly potential new media sales and marketing platform in the telecom value-added business chain.

The Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 4 August 2011 in relation to an acquisition term sheet between Huacai Yingtong, a subsidiary of the Company, and the Vendors regarding the proposed acquisition of 70% equity interests in the Target Company.

The Board is pleased to announce that on 2 November 2011, Huacai Yingtong entered into the Transfer Agreement with the Vendors, and agreed to acquire 70% equity interests in the Target Company in accordance with the Transfer Agreement. The aggregate consideration of the Acquisition is RMB28,000,000 (approximately HK\$34,146,000), which shall be satisfied by (i) a cash payment of RMB12,000,000 (approximately HK\$14,634,000) ; and (ii) the allotment and issue of 43,360,000 Consideration Shares in stages (the Vendors have provided a guarantee to Huacai Yingtong of RMB8,500,000 and RMB10,000,000 profit before tax of the Target Group for 2011 and 2012 respectively. The number of Consideration Shares will be adjusted if the Profit Guarantee for 2011 or Profit Guarantee for 2012 is not met) at an issue price of HK\$0.45 per Consideration Share (representing a premium of approximately 325% over the closing price per Share on the Last Trading Day) credited as fully paid.

TRANSFER AGREEMENT

1. Date

2 November 2011

2. Parties

Purchaser : Huacai Yingtong

Vendor A : Wang Wenhui

Vendor B : Ma Zhong

Target Company : 廣州頂尚信息科技有限公司

To the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are independent third parties of the Company and Connected Person of the Company.

3. Principal terms of the Transfer Agreement

Assets to be acquired

Huacai Yingtong has agreed to acquire 70% equity interests in the Target Company from the Vendors in accordance with the Transfer Agreement.

Consideration and Payment Terms

The aggregate consideration of RMB28,000,000 (approximately HK\$34,146,000) shall be satisfied as follows :

- i. a cash payment in the amount of RMB12,000,000 (approximately HK\$14,634,000) to be paid within 10 days after fulfilment of all the pre-conditions for the cash payment of the consideration stipulated in the Transfer Agreement; and

- ii. the remaining RMB16,000,000 to be paid by the allotment and issue of 43,360,000 Consideration Shares by the Company in stages at an issue price of HK\$0.45 per Consideration Share credited as fully paid. Of which, 13,008,000 Consideration Shares (or such number as is adjusted if the Profit Guarantee for 2011 is not met), credited as fully paid, will be allotted and issued by the Company to the Vendors within thirty days of the Confirmation Date for Profit Before Tax for 2011; and 30,352,000 Consideration Shares (or such number as is adjusted if the Profit Guarantee for 2012 is not met), credited as fully paid, will be allotted and issued by the Company to the Vendors within thirty days of the Confirmation Date for Profit Before Tax for 2012. The number of Consideration Shares to be issued as mentioned in this announcement is calculated with reference to the exchange rate on the date of the Transfer Agreement. The actual number of the Consideration Shares to be issued will be calculated based on the exchange rate on the date of Completion.

Profit Guarantee provided by the Vendors

The Vendors have in the Transfer Agreement provided a guarantee to Huacai Yingtong of RMB8,500,000 and RMB10,000,000 profit before tax of the Target Group for 2011 and 2012 respectively. The Company will allot and issue 13,008,000 Consideration Shares to the Vendors if the Profit Guarantee for 2011 is met, and 30,352,000 Consideration Shares to the Vendors if the Profit Guarantee for 2012 is met.

If the Vendors are in breach of the Profit Guarantee for 2011 or Profit Guarantee for 2012, the Company will make adjustment to the number of Consideration Shares proportionally by dividing the actual profit before tax of the Target Group for the relevant year by the guaranteed profit before tax for that year.

Basis of the consideration

The aggregate consideration of RMB28,000,000 (approximately HK\$34,146,000) was arrived at after arm's length negotiation among the parties to the Transfer Agreement on normal commercial terms.

The aggregate consideration was determined after taking into account of the Profit Guarantee for 2011 and Profit Guarantee for 2012 provided by the Vendors and future growth prospects, profitability and overall commercial value of the Target Group. The Group intends to satisfy the cash payment of the consideration by its internal resources.

Completion of the Acquisition

Completion of the Acquisition is conditional upon the registration of the transfer of the Target Equity Interests with the relevant administration for industry and commerce in China and the receipt of a new business licence by the Target Company.

INFORMATION ON TARGET COMPANY

According to the Target Company, the Target Group is a group of innovative technology companies engaged in mobile Internet value-added business and dedicated to providing premium services to their customers. It offers a wide variety of content and services covering news, entertainment, finance, streaming media and online games through its own products and platform. Based in Guangdong province, the province with China's largest mobile phone user population, the Target Group has built and operated the highly potential new media sales and marketing platform in the telecom value-added business chain. Following the completion of the acquisition, the Target Group will continue to be mainly engaged in the above businesses.

The Target Company currently has a registered and fully paid up capital of RMB10,000,000. The entire equity interests in the Target Company are held by Vendor A and Vendor B. Based on the management accounts of the Target Group, its unaudited net asset value as at 31 December 2010 was approximately RMB11,596,207; Its unaudited net profit (before taxation and extraordinary items) for the years ended 31 December 2009 and 2010 were approximately RMB2,510,646 and RMB7,370,029 respectively; and its unaudited net profit (after taxation and extraordinary items) for the years ended 31 December 2009 and 2010 were approximately RMB1,882,985 and RMB5,437,522 respectively.

On Completion, the Target Company will become a non-wholly owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

According to the Target Company, the Target Group works closely with China Mobile Group Guangdong Co., Ltd. ("China Mobile Guangdong") in the latter's mobile newspaper business. Mobile newspaper is a business of China Mobile Guangdong in partnership with mainstream media in China, providing users with timely information services (which cover news, sports, entertainment, culture, life style) in the form of multimedia message, SMS and WAP. In 2007, the Target Group launched the mobile new media business, and became the sole partner of the mobile newspaper of "People's Daily", China's most authoritative and widely circulated newspaper, for Guangdong province. The Target Group has developed and operated a sales and marketing platform for mobile newspaper, and built up its customer base through innovations and its services. It has developed a new market of mobile Internet applications, and established a valued brand image. In addition, the Target Group is a strategic cooperation partner with the mobile newspaper business of several reputable press media including "WenWeiPo Daily News", "Zhuhai Daily" and "Xinkuaibao".

The China Mobile Group Guangdong Co., Ltd. is the largest provincial company in the China information and telecommunication industry, and the leading telecommunication operator in Guangdong province. In terms of network capacity, customer base, business revenue and net profit, it is currently contributing 1/6, 1/6, 1/5 and 1/4 respectively to the China Mobile Communications Corporation. For five consecutive years, it has been the top taxpayer in Guangdong province. As at the end of 2010, there were 70.5 million mobile phone users in Guangdong province, generating RMB71.7 billion in revenue.

This Acquisition allows the Group to access the strong user base, operation system and important business partnerships of the Target Group, and represents a seamless combination of such resources with the Group's Internet and Telephone lottery sales business. While enhancing the Group's overall Internet and Mobile Internet lottery business portfolio, it will help to strengthen the Group's capabilities in technical service provision and product marketing, which is a catalyst to accelerate the Group's business development and competitiveness in the industry.

CONSIDERATION SHARES

According to the Transfer Agreement, 43,360,000 Consideration Shares will be allotted and issued to the Vendors in stages (or such other number as is adjusted if the Profit Guarantee for 2011 or Profit Guarantee for 2012 is not met). Vendor A and Vendor B will receive 66.6% and 33.4% of the Consideration Shares respectively. The Consideration Shares will be issued at the issue price of HK\$0.45 per Consideration Share, which was determined after arm's length negotiation among the parties with reference to the prevailing market prices of the Shares.

The issue price of HK\$0.45 per Consideration Share represents:

- (i) a premium of approximately 325% over the closing price of HK\$0.106 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 309% over the average closing price of approximately HK\$0.110 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 302% over the average closing price of approximately HK\$0.112 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The total market value of the Consideration Shares is approximately HK\$4,596,160 based on the closing price of HK\$0.106 per Share as quoted on the Stock Exchange on the Last Trading Day. The Consideration Shares represent approximately 0.585% of the total issued share capital of the Company as at the date of this announcement and approximately 0.582% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, upon issue and credited as fully paid, will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue. The Consideration Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 26 May 2011, pursuant to which the Directors are empowered to allot, issue or dispose of up to 1,480,792,800 Shares. As at the date of this announcement, the general mandate has not been utilized. The Consideration Shares will be allotted and issued under the general mandate to the extent that has not been previously utilized and therefore no shareholders' approval of the Company is required. There will be no restriction on the subsequent sale of the Consideration Shares.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company before and immediately after the issue of the Consideration Shares (assuming there are no other changes in shareholding structure) is as follows:

Name of Shareholders	Current Shareholding	Immediately after issuance of the Consideration Shares
Ms. LAU Ting and Mr. CHAN Shing	1,517,023,747 (20.47%)	1,517,023,747 (20.35%)
Other Director(s)	31,072,000 (0.42%)	31,072,000 (0.42%)
Vendor A	0 (0%)	28,877,760 (0.39%)
Vendor B	0 (0%)	14,482,240 (0.19%)
Public	5,863,868,253 (79.11%)	5,863,868,253 (78.65%)
Total	<u>7,411,964,000 (100%)</u>	<u>7,455,324,000 (100%)</u>

GENERAL

The Group is engaged in the public welfare lottery business in China, offering reliable and advanced lottery equipment, system, games and a full range of solutions for the relevant applications, as well as providing quality and professional services. The businesses of the Group cover traditional computer ticket game, high frequency lottery, video lottery and new media lottery. Huacai Yingtong is a company engaged in the technological research and development, technical service and agency sales for the lottery industry in China.

The Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

TERMS AND DEFINITIONS USED IN THIS ANNOUNCEMENT

Acquisition	means the acquisition by Huacai Yingtong from Vendor A and Vendor B of the Target Equity Interests pursuant to the Transfer Agreement
Board	means the board of directors of the Company for the time being

China	means The People's Republic of China
Company	means China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
Completion	means completion of the Acquisition as defined in the Transfer Agreement
Confirmation Date for Profit Before Tax for 2011	means the date on which it is confirmed whether the profit before tax of the Target Group for 2011 satisfies the Profit Guarantee for 2011, being the date on which Huacai Yingtong approves the financial statements of the Target Group for 2011
Confirmation Date for Profit Before Tax for 2012	means the date on which it is confirmed whether the profit before tax of the Target Group for 2012 satisfies the Profit Guarantee for 2012, being the date on which Huacai Yingtong approves the financial statements of the Target Group for 2012
Connected Person	has the same meaning ascribed to it in the GEM Listing Rules
Consideration Shares	means shares to be allotted and issued by the Company as part of the consideration of the Acquisition under the Transfer Agreement
Directors	means the directors of the Company from time to time
GEM Listing Rules	means the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
Group	means the group of companies comprising the Company and its subsidiaries
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China
Huacai Yingtong	means Beijing Huacai Yingtong Technology Company Limited (北京華彩贏通科技有限公司), an indirectly-owned subsidiary of the Company

Last Trading Day	means 2 November 2011, being the last trading day before the publication of this announcement
Profit Guarantee for 2011	means the guarantee provided by the Vendors to Huacai Yingtong under the Transfer Agreement of RMB8,500,000 profit before tax of the Target Group for 2011
Profit Guarantee for 2012	means the profit guarantee provided by the Vendors to Huacai Yingtong under the Transfer Agreement of RMB10,000,000 profit before tax of the Target Group for 2012
RMB	means Renminbi, the lawful currency of the China. For the purpose of this announcement, an exchange rate of RMB1 to HK\$1.2195 has been adopted for illustrative purpose only
Share(s)	means ordinary shares of HK\$0.0025 each in the share capital of the Company and all other (if any) stock or shares from time to time and for the time being ranking <i>pari passu</i> therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof
Stock Exchange	means The Stock Exchange of Hong Kong Limited
Target Company	means 廣州頂尚信息科技有限公司, a company incorporated in China with limited liabilities
Target Equity Interests	means 70% of the entire equity interests in the Target Company
Target Group	means the Target Company together with its subsidiaries and, in respect of the period before the Target Company became the holding company of such subsidiaries, the entities that carried on the existing businesses of the Target Group in the relevant period
Transfer Agreement	means the equity interests transfer agreement dated 2 November 2011 entered into by Huacai Yingtong, Vendor A, Vendor B and the Target Company in relation to the Acquisition
Vendor A	means the registered and beneficial owner of 66.6% equity interests in the Target Company
Vendor B	means the registered and beneficial owner of 33.4% equity interests in the Target Company
Vendors	means Vendor A and Vendor B collectively

By order of the Board
China LotSynergy Holdings Limited
Lau Ting
Chairperson of the Board

Hong Kong, 2 November 2011

This announcement will remain on the “Latest Company Announcements” page of the GEM’s website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.chinalotsynergy.com.

As at the date of this announcement, the Board comprises Ms. Lau Ting, Mr. Wu Jingwei, Mr. Liao Yuang-whang, Mr. Chan Shing and Mr. Li Zi Kui as Executive Directors; Mr. Hoong Cheong Thard as a Non-executive Director; and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming as Independent Non-executive Directors.

This announcement, for which the Directors 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, 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.

** For identification purposes only*