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China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code on Main Board: 1371)

(Stock Code on GEM: 8161)

**TRANSFER OF LISTING
FROM THE GROWTH ENTERPRISE MARKET
TO THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
AND
CHANGE IN BOARD LOT SIZE**

Financial adviser to China LotSynergy Holdings Limited



Reference is made to the announcement of the Company dated 25 March 2013. On 25 March 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) 7,461,472,820 Shares in issue; (ii) 156,000,000 Shares which may fall to be issued pursuant to the exercise of the outstanding options which were granted under the 2002 Share Option Scheme; and (iii) 417,000,000 Shares which may fall to be issued pursuant to the exercise of outstanding options which were granted under the 2012 Share Option Scheme, on the Main Board by way of Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 4 October 2013. The last day of dealings in the Shares on GEM will be 15 October 2013.

* For identification purposes only

CHANGE IN BOARD LOT SIZE

The Board also proposes the Change in Board Lot Size, where the board lot size for trading on the Stock Exchange will be changed from 4,000 Shares to 20,000 Shares with effect from 9:00 a.m. on 30 October 2013. The Company has appointed Trinity Finance Investment Limited as its agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of Shares during the period from 30 October 2013 to 21 November 2013 (both dates inclusive).

The Transfer of Listing and Change in Board Lot Size will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. The Company will adopt “CHINA LOTSYN” as its English stock short name and “華彩控股” as its Chinese stock short name for trading purpose on the Main Board. No change will be made to the existing share certificates, the trading currency and the share registrar of the Shares in Hong Kong in connection with the Transfer of Listing and Change in Board Lot Size.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2013. On 25 March 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) 7,461,472,820 Shares in issue; (ii) 156,000,000 Shares which may fall to be issued pursuant to the exercise of the outstanding options which were granted under the 2002 Share Option Scheme; and (iii) 417,000,000 Shares which may fall to be issued pursuant to the exercise of outstanding options which were granted under the 2012 Share Option Scheme, on the Main Board by way of Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 4 October 2013. As at the date of this announcement, the pre-conditions for the Transfer of Listing in relation to the Company and the securities of the Company, insofar as applicable, have been fulfilled.

2. REASONS FOR THE TRANSFER OF LISTING

The Group is principally engaged in the provision of technology and operation service of lottery systems, terminal equipment and game products in the lottery market in the PRC. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and high frequency lottery to new media lottery. The Group has maintained profitability for three straight years with an aggregated profit attributable to owners of the Company of approximately HK\$286.25 million for the three years from 2010 to 2012.

The Board believes that the listing of the Shares on the Main Board would help to enhance the profile of the Group and increase the trading liquidity of the Shares by attracting more institutional and retail investors. The Board considers that the Transfer of Listing will be beneficial to the financing flexibility, future growth and business development of the Group. No change in the nature of business of the Group is currently contemplated by the Board following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

3. CHANGE IN BOARD LOT SIZE

The Shares are currently traded in board lots of 4,000 Shares and are traded in Hong Kong dollars. Based on the closing price of HK\$0.124 per Share as quoted on GEM on the date of this announcement, the market value per board lot of the Shares is HK\$496, which is below the minimum value of HK\$2,000 per board lot as a trading practice.

In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, the Board proposes the Change in Board Lot Size, where the board lot size of the Shares for trading on the Stock Exchange will be changed from 4,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Wednesday, 30 October 2013. Based on the closing price of HK\$0.124 as quoted on GEM on the date of this announcement, the estimated market value per board lot of 20,000 Shares would become HK\$2,480. The Change in Board Lot Size will not affect any of the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interest of the Company and its Shareholders as a whole.

To alleviate the difficulties in trading odd lots of the Shares arising from the Change in Board Lot Size, the Company has appointed Trinity Finance Investment Limited as its agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Wednesday, 30 October 2013 to Thursday, 21 November 2013 (both dates inclusive). Holders of the Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Mr. Alvin Kwok at Room 02, 24/F, Regent Centre, 88 Queen's Road, Central, Hong Kong (telephone: (852) 2106 3113 and facsimile: (852) 2840 1416) during the period stated above.

Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

4. EXPECTED TIMETABLE FOR CHANGE IN BOARD LOT SIZE

2013

Last day for trading with old board lot size of 4,000 SharesTuesday, 29 October

Effective date of Change in Board Lot Size from
4,000 Shares to 20,000 SharesWednesday, 30 October

Designated broker starts to stand in the market to
provide matching services for odd lots of Shares. 9:00 a.m. on
Wednesday, 30 October

Last day for the designated broker to stand in the market to
provide matching services for odd lots of Shares. 4:00 p.m. on
Thursday, 21 November

5. DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 26 October 2001, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (under stock code: 8161) is 15 October 2013. Dealing in the Shares on the Main Board (under stock code: 1371) will commence at 9:00 a.m. on 16 October 2013 in board lot size of 4,000 Shares each following the Transfer of Listing up until the effective date of Change in Board Lot Size, being Wednesday, 30 October 2013, where the board lot size will increase to 20,000 Shares.

The Transfer of Listing and Change in Board Lot Size will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited (formerly known as “Butterfield Fulcrum Group (Bermuda) Limited”) and the share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited. The Company will adopt “CHINA LOTSYN” as its English stock short name and “華彩控股” as its Chinese stock short name for trading purpose on the Main Board. No change will be made to the existing share certificates, the trading currency of the Shares and the share registrars of the Company in connection with the Transfer of Listing and Change in Board Lot Size. The Transfer of Listing will not involve any issue of new Shares by the Company.

6. SHARE OPTION SCHEME

The 2002 Share Option Scheme and the 2012 Option Scheme were conditionally adopted by the Company on 30 July 2002 and 18 May 2012, respectively, for the purpose of providing incentives to eligible participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group. The 2002 Share Option Scheme has expired on 29 July 2012 while the 2012 Share Option Scheme will expire on 17 May 2022.

Pursuant to the 2012 Share Option Scheme, the outstanding options previously granted but unexercised under both the 2002 Share Options Scheme and 2012 Share Options Scheme, which would entitle the holders thereof to subscribe for 573,000,000 Shares, will remain valid and exercisable in accordance with their respective terms of issue. As at the date of this announcement, the 2012 Share Option Scheme fully complies with the requirements of Chapter 17 of the Listing Rules. Thus, the 2012 Share Option Scheme will remain effective upon the Transfer of Listing.

Pursuant to the 2012 Share Option Scheme and as at the date of this announcement, the Company may grant additional options which would entitle the holders to subscribe for 328,258,466 Shares during the remaining term of the 2012 Share Option Scheme. The listing of the Shares issued and to be issued pursuant to the 2012 Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Listing Rules.

Save for the abovementioned outstanding options previously granted but unexercised under both the 2002 Share Option Scheme and 2012 Share Option Scheme, which would entitle the holders thereof to subscribe for 573,000,000 Shares, the Company has not issued any options, warrants or similar rights or convertible equity securities of which will be transferred to the Main Board.

7. COMPETING INTERESTS

As at the date of this announcement, none of the Directors or their respective associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group.

8. REGULAR PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively.

9. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 14 May 2013 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

- (b) the expiration of the period within which the next annual general meeting of the Company is required by its bye-laws or any applicable laws to be held; or
- (c) the revocation or variation of such authority by an ordinary resolution of the Shareholders in general meeting.

10. BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each current Director or Senior Management:

Executive Directors

LAU Ting

Board's Chairperson and Chief Executive Officer

Ms. Lau, aged 57, is the Board's Chairperson, an Executive Director and the Chief Executive Officer of the Company. Ms. Lau is the founder of the Group and responsible for the planning and leading the implementation of the Group's overall strategies for operational development. She has over twenty years of solid experience in business planning and management, merger and acquisition, and financial and human resources management. Ms. Lau is also an executive director of Burwill Holdings Limited (stock code: 24) listed in Hong Kong. Save as disclosed above, Ms. Lau did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Ms. Lau has a personal interest, family interest and corporate interest of 259,974,373 Shares, 389,286,426 Shares and 867,762,948 Shares respectively within the meaning of Part XV of the SFO. Ms. Lau is also interested in options to subscribe for 7,000,000 Shares. She is the mother of Ms. Chan Tan Na, Donna. Save as disclosed in this announcement, Ms. Lau does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. Ms. Lau is the chairperson of the nomination committee and a member of the remuneration committee of the Company. She is a director of various members of the Group. Ms. Lau has entered into a service agreement with the Company with no specified term of office after she has finished an initial term of two years. Ms. Lau is not subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Ms. Lau received salaries and allowance of approximately HK\$7,700,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

WU Jingwei

Executive Director and Co-Chief Executive Officer

Mr. Wu, aged 42, is an Executive Director and the Co-Chief Executive Officer of the Company. The main role of Mr. Wu is to assist the Chief Executive Officer in planning and leading the implementation of the Group's overall strategies for development. Mr. Wu has over fifteen years of experience in information technology. Prior to joining the Group in 2007, Mr. Wu held senior management positions in PKU Founder Group and Hisense Group. Mr. Wu holds a bachelor's degree in Mechanical Engineering from Beijing Technology and Business University. Saved as disclosed above, Mr. Wu did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Wu has a personal interest of 20,000,000 Shares within the meaning of Part XV of the SFO. Mr. Wu is also interested in options to subscribe for 59,000,000 Shares. Mr. Wu does not have any relationship with any other Director, Senior Management, or substantial shareholder of the Company. He is a director of various members of the Group. Mr. Wu has entered into a service agreement with the Company with no specified term of office after he has finished an initial term of three years. Mr. Wu is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Wu received salaries and allowance of approximately HK\$4,679,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

CHAN Tan Na, Donna

Executive Director and Chief Financial Officer

Ms. Chan, aged 32, joined the Group in 2012 and is an Executive Director and Chief Financial Officer. Ms. Chan is responsible for the management of several departments of the Group including finance, investor relations and company secretarial. She holds a Bachelor degree in Economics and Finance from the University of Hong Kong and a Master degree in Economics from Boston University, USA. She is a qualified Chartered Financial Analyst (CFA) and holds licenses in relation to asset management from the Hong Kong Securities Institute. From 2005 to early 2012, Ms. Chan held positions at Deutsche Bank's Corporate Finance department and Atlantis Investment Management (Hong Kong) Limited, where she was involved in several initial public offerings, share placements, mergers and acquisitions, and bond issuances. Her experience span across different sectors including technology, media, telecommunication, real estate, natural resources and consumer goods. In her capacity as a fund manager, she was in charge of equity investments in listed and unlisted companies in the Greater China region. She has also worked with a diverse portfolio of clients from Europe and the USA including sovereign wealth funds, mutual funds, endowment funds as well as other institutional investors. Saved as disclosed above, Ms. Chan did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Ms. Chan was interested in options to subscribe for 40,000,000 Shares within the meaning of Part XV of the SFO. She is the daughter of Ms. Lau Ting. Save as disclosed in this announcement, Ms. Chan does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. She is the director of various members of the Group. Ms. Chan has entered into a service agreement with the Company with no specified term of office after an initial term of three years. Ms. Chan is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Ms. Chan received salaries and allowance of approximately HK\$2,312,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

LI Zi Kui

Executive Director, Vice President and General Manager of the Group's Computer Ticket Game Business Unit

Mr. Li, aged 49, is an Executive Director, Vice President and General Manager of the Group's Computer Ticket Game Business Unit. Mr. Li joined the Group in 2011. Mr. Li has over twenty-five years of solid management experience in the information technology sector. For near twenty years, he had been engaged in the China Welfare lottery space as a chief engineer with technical management responsibility, gaining extensive experience with proven track record in various lottery segments including computer ticket game, video lottery and instant lottery. Mr. Li holds a bachelor's degree in computer science and engineering from The PLA Information Engineering University and an EMBA from Beijing Institute of Technology and holds a senior engineer qualification. Save as disclosed above, Mr. Li did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Li has a personal interest of 6,500,000 Shares within the meaning of Part XV of the SFO. Mr. Li is also interested in options to subscribe for 25,000,000 Shares. Mr. Li does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. Mr. Li has entered into a service agreement with the Company with no specified term of office after an initial term of three years. Mr. Li is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Li received salaries and allowance of approximately HK\$1,194,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Note: Ms. Chan Tan Na, Donna is the daughter of Ms. Lau Ting and Mr. Chan Shing, spouse of Ms. Lau Ting.

Non-Executive Director

HOONG Cheong Thard

Non-Executive Director

Mr. Hoong, aged 44, currently is a Non-Executive Director and the Consultant of the Company. Mr. Hoong joined the Group in 2006 and had been an Executive Director and the Chief Executive Officer of the Company until September 2008. Mr. Hoong has over ten years of experience in investment banking and has extensive experience in international capital markets and mergers and acquisitions. Mr. Hoong was a director in Equity Capital Markets at Deutsche Bank responsible for Greater China. He was also previously an executive director in Equity Capital Markets at UBS and has held senior positions in Corporate Finance at Barclays Group and a major international accounting firm where he was involved in auditing. Mr. Hoong is currently the managing director of Far East Consortium International Limited (stock code: 35), a company listed in Hong Kong, and the director and President of Tokai Kanko Co. Limited, a company listed in Tokyo, Japan. Mr. Hoong is also a non-executive director of Kosmopolito Hotels International Limited (stock code: 2266), a company listed in Hong Kong and a non-executive director of Land General Berhad, a company listed in Malaysia. He is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London. Saved as disclosed above, Mr. Hoong did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Hoong was interested in options to subscribe for 40,200,000 Shares within the meaning of Part XV of the SFO. Mr. Hoong does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. Mr. Hoong has entered into a service contract with the Company with no specified term of office after he has finished an initial term of three years. Mr. Hoong is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Hoong received director's fee of approximately HK\$520,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Independent non-executive Directors

HUANG Shenglan

Independent Non-Executive Director

Mr. Huang, aged 61, joined the Group in 2002 and is an Independent Non-Executive Director. Mr. Huang was an executive director and the deputy governor of China Everbright Bank, Head Office and was an executive director and the general manager of China Everbright Technology Limited. Mr. Huang holds a diploma in Arts from Huazhong Normal University and in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University and in Advanced Management Programme from the Business School of Harvard University,

USA. Mr. Huang is also an independent non-executive director of Burwill Holdings Limited (stock code: 24) and Symphony Holdings Limited (stock code: 1223) and a non-executive director of China Fortune Investments (Holding) Limited (stock code: 8116), which are listed companies in Hong Kong. Mr. Huang was an independent director of Chongqing Road & Bridge Co. Limited, a company listed in Shanghai, in the previous three years. Saved as disclosed above, Mr. Huang did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Huang has a personal interest of 4,000,000 Shares, within the meaning of Part XV of the SFO. Mr. Huang is also interested in an option to subscribe for 5,000,000 Shares. Mr. Huang does not have any relationship with any other Director, Senior Management, or substantial shareholder of the Company. Mr. Huang is the chairperson of the audit committee and remuneration committee and a member of the nomination committee of the Company. There is no service contract between Mr. Huang and the Company but Mr. Huang is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Huang received director's fee of approximately HK\$434,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Based on the experience of Mr. Huang as set out above, in particular, (i) the experience in China Everbright Bank where Mr. Huang was responsible for, among others, reviewing and approving corporate loan applications based on, among others, the credit worthiness, financial performance and positions of the applicants; and (ii) directorship of other listed companies where Mr. Huang also serves as member of the audit committee, Mr. Huang confirms that he has the experience with internal controls and auditing comparable financial statements and has the experience reviewing and analysing audited financial statements of public companies as required under Rule 3.10(2) of the Listing Rules.

CHAN Ming Fai

Independent Non-Executive Director

Mr. Chan, aged 52, joined the Group in 2006 and is an Independent Non-Executive Director of the Company. He is currently the Chief Executive Officer of Full Seas Technology Group and is primarily responsible for the formulation and execution of the Group's strategy. Prior to that, he was the President of Dandelion Capital Group, which is a private financial advisory company. He has over twenty years of experience in investment banking and asset management. Mr. Chan had worked for Jardine Fleming Investment Management with a major responsibility to market unit trusts and asset management products in Hong Kong and subsequently in various Asian markets, and was particularly instrumental in the establishment of Jardine Fleming's investment trust operation in Japan, Korea and Indonesia. Mr. Chan also cofounded the KGI Group, which is a pan-Asian investment bank with shareholders including major investors and institutions in Asia, where he was the head of the asset management operation which managed about USD400 million in hedge funds and other portfolios, and was also a

member of the management committee of KGI Group. Mr. Chan received a bachelor's degree in Social Sciences with major in Economics from The University of Hong Kong. Mr. Chan is also an independent non-executive director of Burwill Holdings Limited (stock code: 24), a company listed in Hong Kong. During the period from May 2009 to September 2010, Mr. Chan was a non-executive director of Advanced Engine Components Limited, a company listed in Australia. Saved as disclosed above, Mr. Chan did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Chan was interested in options to subscribe for 5,000,000 Shares within the meaning of Part XV of the SFO. Mr. Chan does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. Mr. Chan is a member of the audit committee, remuneration committee and nomination committee of the Company. There is no service contract between Mr. Chan and the Company but Mr. Chan is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Chan received director's fee of approximately HK\$319,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Based on the investment banking and asset management experience of Mr. Chan as set out above, in particular, (i) the experience as member of management committee of KGI Group and as head of its asset management operation responsible for, among others, managing and monitoring KGI Group's financial statement and its ongoing financial performance, and reviewing other corporates' financial statement and performance for KGI Group's investment business; and (ii) directorship of other listed companies where Mr. Chan also serves as member of the audit committee, Mr. Chan confirms that he has the experience with internal controls and auditing comparable financial statements and has the experience reviewing and analysing audited financial statements of public companies as required under Rule 3.10(2) of the Listing Rules.

CUI Shuming

Independent Non-Executive Director

Mr. Cui, aged 76, joined the Group in 2008 and is an Independent Non-Executive Director of the Company. He graduated from People's University of China. He was the deputy head of the Bank of China, Jiangsu branch, an executive director of The National Commercial Bank, Ltd. and the general manager of its Hong Kong branch, a director and an executive vice president of The Ka Wah Bank Limited and an independent non-executive director of two public listed companies in Hong Kong, namely, Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) (stock code: 199) and Wah Sang Gas Holdings Limited (stock code: 8035). Mr. Cui is currently an independent non-executive director of Burwill Holdings Limited (stock code: 24) and Yue Da Mining Holdings Limited (stock code: 629), both are listed companies in Hong Kong. He has over forty years' experience in international

finance and corporate planning and management. Saved as disclosed above, Mr. Cui did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Mr. Cui was interested in options to subscribe for 5,000,000 Shares within the meaning of Part XV of the SFO. Mr. Cui does not have any relationship with any other Director, Senior Management or substantial shareholder of the Company. Mr. Cui is a member of the audit committee of the Company. There is no service contract between Mr. Cui and the Company but Mr. Cui is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. For the year ended 31 December 2012, Mr. Cui received director's fee of approximately HK\$289,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Based on the experience of Mr. Cui as set out above, in particular, (i) the experience in commercial banking field where Mr. Cui was responsible for, among others, oversee the financial position and ongoing financial performance of the relevant banks; and (ii) directorship of other listed companies where Mr. Cui also serves as member of audit committee, Mr. Cui confirms that he has the experience with internal controls and reviewing and analysing audited financial statements of public companies as required under Rule 3.10(2) of the Listing Rules.

Senior Management

CHEN Hengben

Mr. Chen, aged 73, joined the Group in 2008. He is currently vice president of the Group and chairman of the Group's Computer Ticket Game Business in Guangdong Province. Mr. Chen, who is among the pioneers in China engaged in the development of the lottery system and equipment, has over 40 years of practical experience in computer science and electronic engineering. He was a member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a senior engineer for the Research Institute of China Ordnance Industry and the vice president covering technology for the Computer Center of Guangdong Provincial Science and Technology Commission; In 1992, he took part in establishing Guangzhou Horse Race Ground and assumed the position of vice chief commander for the project construction of the Real Time Racing Lottery Bidding System for Guangzhou Horse Race Ground. In 1999, he was appointed as chief commander for the project construction of Macau Dog Racing Club Real Time Lottery Bidding System. Afterwards he founded Guangzhou San Huan Yong Xin Technology Company Limited and Guangzhou Lottnal Terminal Technology Company Limited. Mr. Chen holds a bachelor's degree in computer from South China University of Technology. Mr. Chen did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

LAN Jianzhang

Mr. Lan, aged 41, joined the Group in 2009. He is currently vice president of the Group and general manager of the Group's New Lottery Business Unit. Mr. Lan had held senior position at China Lottery Online Technology Co., Ltd, responsible for the strategies, products and business development. He has extensive and proven experience in the lottery industry including video lottery segment. Mr. Lan has over 15 years' experience in the information technology and internet sector. He had held management positions at leading companies in the sector including the PKU Founder Group, responsible for the development of high-end information technology and household appliances.

Mr. Lan holds a bachelor's degree from Beijing University of Aeronautics & Astronautics, a master's degree in physics from Chinese Academy of Sciences, and an EMBA from Beijing Institute of Technology. Mr. Lan did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

HE Ying

Ms. He, aged 43, joined the Group in 2007. She is currently vice president of the Group, general manager of the Group's Mobile and Internet Services Business Unit and general manager of the Groups' Marketing Department. Ms. He had been the general manager of the marketing department at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Ms. He has been engaged in the information technology industry for 15 years with extensive experience in marketing and corporate management. Ms. He holds a bachelor's degree in computer science from Beijing University of Technology. Ms. He did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

JI Youjun

Mr. Ji, aged 40, joined the Group in 2007. He is currently vice president of the Group and general manager of the Research & Development Center of the Group. Mr. Ji had been the head of household product development at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Mr. Ji has extensive experience in the development and management of information technology hardware and software products. He holds a bachelor's degree from Harbin University of Science and Technology. Mr. Ji did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

CHONG Ming, John

Mr. Chong, aged 41, joined the Group in 2001. He is currently vice president of the Group and director of Investor Relations, with over 10 years of solid experience in corporate management and sino-foreign cooperation. Mr. Chong was an officer with the legal aid department of the Department of Justice and the Legislative Council Secretariat of Hong Kong respectively. Mr. Chong holds a degree in translation and interpretation from City University of Hong Kong, and is currently completing a juris

doctoral degree with The Chinese University of Hong Kong. Mr. Chong did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

ZHU Xinxin, Sandy

Ms. Zhu, aged 33, joined the Group in 2008. She is currently vice president of the Group and director of Human Resource and Administrative Department (China). Ms. Zhu had been the operation manager of Protiviti Independent Risk Consulting, China, a global business consulting and internal audit firm. Ms. Zhu had also worked in Accenture, a global leading management consulting, technology services and outsourcing company. At Accenture, she participated in various projects like CNOOC SAP implementation project, Robert Half International PeopleSoft Implementation project and BP Finance & Accounting Outsourcing project. Ms. Zhu holds a bachelor's degree in business and finance from University of Westminster and a master's degree in development finance from The University of Manchester. Ms. Zhu did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

TAN Yung Kai, Richard

Mr. Tan, aged 41, joined the Group in 2000. He is currently financial controller of the Group, responsible for the overall compliance and financial accounting of the Company. Mr. Tan has over ten years of experience in the audit and the accounting fields. He had worked for Deloitte Touche Tohmatsu, an international accounting firm involved in the various auditing and due diligence activities. He holds a bachelor's degree in commerce from McGill University, Canada and a master's degree in corporate finance from the Hong Kong Polytechnic University. Mr. Tan is a member of the Hong Kong Institute of Certified Public Accountants and American Institution of Certified Public Accountants. Mr. Tan did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

SONG Xiaojun

Ms. Song, aged 46, joined the Group in 2007. She is currently head of the Legal Department of the Group. Ms. Song obtained the lawyer qualification certificate in mainland China and she has over seventeen years of experience in legal areas, specialising in commercials, dispute resolutions and intellectual property. Ms. Song had worked at China University of Political Science and Law, law firms in Mainland China and Hong Kong respectively. Ms. Song holds a bachelor's degree in law from the China University of Politics and Law and a master's degree (Magister Juris) in European and Comparative Law from University of Oxford. Ms. Song did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

ZHANG Yi

Mr. Zhang, aged 36, joined the Group in 2008. He is currently financial controller (China) of the Group, responsible for the overall financing and investment management of the Group's China region. Prior to joining the Group, Mr. Zhang had previously been

the investment head of Investment Development Department of Fosun Group (stock code: 656). Fosun Group is one of the largest non-state-owned corporations in China with operations in pharmaceutical, property development, steel, mining, retail, services and strategic investment. Mr. Zhang had also worked for Yongjin Group and Jiuzhitang Co., Ltd (Shenzhen stock code: 000989.SZ). Mr. Zhang has near 15 years of experience in the financial management and investment management fields. Mr. Zhang holds an international MBA and bachelor's degree in economics from the Guanghua School of Management, Peking University. Mr. Zhang is also a non-practicing member of the Chinese Institute of Certified Public Accountants (CICPA) and a member of the Association of Chartered Certified Accountants (ACCA). Mr. Zhang did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

WONG Hiu Wong

Mr. Wong, aged 30, joined the Group in 2009. He is currently company secretary of the Company, responsible for the overall compliance matters within the Group and providing advice to its corporate exercise and adaptation of latest corporate governance policies. Prior to joining the Group, Mr. Wong had worked for a Hong Kong listed group, responsible for the compliance issues of its companies listed on Main Board and GEM respectively. Mr. Wong is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of The Hong Kong Institute of Directors. He holds a master's degree in corporate governance and directorship from Hong Kong Baptist University and a bachelor's degree in Business from The London School of Economics and Political Science, University of London. Mr. Wong did not hold any directorships in other listed public companies in the past three years prior to the date of this announcement.

Save as disclosed above, there is no other information relating to the Directors which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

11. HISTORICAL FINANCIAL RESULTS OF THE COMPANY

Please refer to the below Table for the breakdown of revenue for each of the Group's businesses for the three financial years ended 31 December 2012:

	For the year ended 31 December		
	2012	2011	2010
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	607,255	528,136	282,577
— Video Lottery Terminal (“VLT”)	470,613	411,212	216,129
— computer ticket game (“CTG”)	76,457	97,642	65,613
— telephone lottery agency sales business (“New Media Business”)	60,185	19,282	835
Profit attributable to owners of the Company	67,513	66,485	152,254

Revenue from the VLT business amounted to approximately HK\$470.6 million, HK\$411.2 million, and HK\$216.1 million (representing approximately 77.5%, 77.9%, and 76.5% of the Group's total revenue) for the year ended 31 December 2012, 2011 and 2010, respectively. The remaining revenue was largely attributable to the CTG business.

The profit attributable to the owners of the Company amounted to approximately HK\$67.5 million, HK\$66.5 million and HK\$152.3 million for the year ended 31 December 2012, 2011 and 2010, respectively. Excluding gain on redemption of convertible note, net of imputed interest expense of approximately HK\$151.2 million recorded for the financial year ended 31 December 2010, the profit attributable to owners of the Company for the year ended 31 December 2011 increased by approximately 5,945% as compared with the financial year ended 31 December 2010 due to the surge of sales from the VLT and CTG businesses. The profit attributable to the owners of the Company for the financial year ended 31 December 2012 increased by approximately 1.5% as compared with the financial year ended 31 December 2011 due to an increase in sales from the VLT business.

12. BACKGROUND OF THE BUSINESSES OF THE GROUP

VLT business

The Group is the exclusive equipment provider for VLT. The Group has continued to deliver third generation VLT terminals to PRC provinces, which will be available in all VLT venues within 2013 after all the remaining old-generation terminals are replaced. A total installed base of 28,000 to 30,000 units of the third generation terminals are expected to be connected across the PRC by the end of 2013. The Group derived a majority of its revenue from its VLT business for each of the year end 31 December 2010, 2011 and 2012.

CTG business

In addition to Guangdong Welfare Lottery Centre, the Group concluded the contract with Chongqing Welfare Lottery Centre for the provision of CTG terminals and technical services. Terminals have been deployed and the new contract is generating revenue for the Group. Further to its development in Welfare Lottery, the Group has achieved breakthrough in the terminal market in Sports Lottery after winning the bid for the provision of lottery terminals for Guizhou Provincial Sports Lottery Centre in July 2013. The Standard Type KT301 terminals including services will be provided to Guizhou Sports Lottery Centre. The CTG business is the second largest revenue contributor of the Group, second to the VLT business, for each of the year end 31 December 2010, 2011 and 2012.

New Media Business

(a) History and background of the New Media Business

The acquisition of OPCO A

In the early of 2008, with the objective to expand into the New Media Business, the Company initiated the negotiation with Mr. SHANG Yanjin* (尚衍進) and Ms. XU Xing* (徐星), being the independent third parties to the Company, with regard to the Acquisition. The Company fully funded the Acquisition of RMB13.5 million in the form of loan extended to the Nominees and entered into the Control Contracts with the Nominees, and OPCO A, to control and extract all economic benefits from OPCO A for the benefit of the Group. Upon completion of the registration of the equity transfer of OPCO A in January 2008, Mr. Ji (one of the Nominees) was appointed as director of OPCO A to oversee its operation under the instruction of the Company.

Establishment of OPCO B

In light of the then objective of the Group to expand into the New Media Business, the Company instructed the Nominees to establish OPCO B for and on behalf of the Company to operate the New Media Business which involves mobile value-added telecommunications business in the PRC. In July 2008, following the instruction of the Company, the Nominees established OPCO B and became the registered holders of all equity interests in OPCO B and held all equity interests in OPCO B for the benefit of the Group through the Control Contracts. The initial registered capital of OPCO B of RMB30 million was fully funded by the Company in the form of loan extended to the Nominees through the Control Contracts.

As of the date of this announcement, it is the intention of the Company to continue the development of the business of the OPCOs. However, the Senior Management of the Company does not expect the business of the OPCOs to become the Group's core business (i.e. the largest profit contributor) and have material adverse effects on the Group's operations and financial results in the event of termination in the foreseeable future.

The accumulated capital expenditure of the Group related to its New Media Business, up to and including 30 June 2013, was approximately HK\$64.7 million, of which approximately HK\$52.7 million were recorded as development costs.

(b) Reasons for entering into and maintaining the Control Contracts

OPCO A ceased to engage in the third party online payment business in 2011. Under the Group's plans, OPCO A will engage in the New Media Business, which is similar to that of OPCO B.

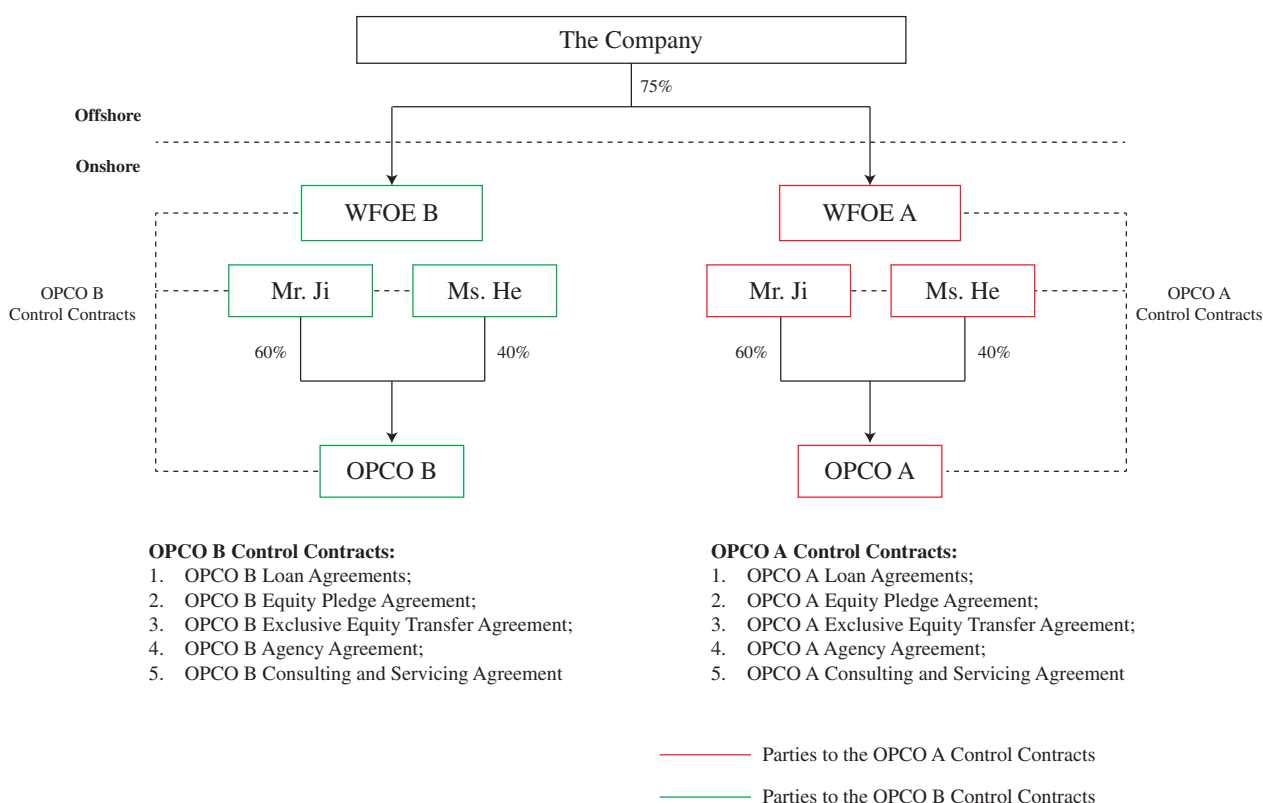
The New Media Business, as the prospective business of OPCO A and the current business of OPCO B, involves mobile value-added telecommunications business activities. According to the relevant PRC laws and regulations, a wholly foreign-owned enterprise is prohibited from engaging in any value-added

telecommunications business. Therefore, a wholly foreign-owned enterprise is ineligible to apply for and obtain a value-added telecommunications business operation permit.

The Control Contracts were entered into in order for the Group to manage and operate the business of OPCOs, under which all the business, financial and operating activities of OPCOs are managed by the Group and all economic benefits and risks arising from the business, financial and operating activities of OPCOs are transferred to the Group by means of consulting fees payable by OPCOs.

(c) Simplified structure chart of the Control Contracts

As at the date of this announcement, the simplified structure chart of the Control Contracts is as follows:



(d) Legality and validity of the Control Contracts

PRC laws and regulations

The PRC Legal Adviser advised the prospective business of OPCO A and the current business of OPCO B involve value-added telecommunications services, and both of the aforesaid businesses cannot be operated by the Company by establishing a wholly foreign-owned enterprise in the PRC. Therefore, the Company, being an offshore company, can only engage in the businesses of the OPCOs by adopting multiple contractual arrangements (i.e. the Control Contracts).

The PRC Legal Adviser has further advised the Company that there are no existing PRC laws and regulations which require an affirmation on the legality and validity of the Control Contracts to be provided by a PRC government authority, and in practice, no PRC government authority would provide a confirmation on the legality and validity of the Control Contracts.

The PRC Legal Adviser is of the opinion that:

- (i) each of the Control Contracts complies with, and is not in breach of, the PRC laws and regulations (including the Contract Law and the General Principles of Civil Code);
- (ii) each of the Control Contracts complies with provisions of the articles of association of the respective OPCOs and WFOEs;
- (iii) the VIE Structure can be unwound as soon as the PRC laws allow the Company to directly own equity interests in the OPCOs and there is no legal or practical obstacle to or limitation on such unwinding; and
- (iv) under the existing PRC laws and regulations and current structured contract arrangements adopted by existing offshore listed companies, the PRC Legal Adviser has not found any determination by any relevant PRC competent authority or PRC judicial authority that structured contract arrangements adopted by existing offshore listed companies having been identified as “concealing illegal intentions with a lawful form”, although the possibility that the relevant PRC competent authority or PRC judicial authority may under future PRC laws and regulations determining otherwise cannot be ruled out.

The opinion of the PRC Legal Adviser set out above is based on the existing PRC laws and regulations. In the event that the applicable PRC laws and regulations are amended, the opinion of the PRC Legal Adviser may be modified.

The Company also confirmed that, as of the date of this announcement, neither any member of the Group nor any OPCO has encountered any interference or encumbrance from any PRC government authorities in relation to the operation of the business through the OPCOs under the VIE Structure, and the legality and validity of the VIE Structure has not been challenged by any PRC government authorities.

Qualification Requirements under “The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises”

Under Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, the major foreign investor of a foreign-invested telecommunications enterprise operating a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of overseas business operations. Based on the PRC Legal Adviser’s view, given the OPCOs operating the value-added telecommunications businesses are legally held by the Nominees who are PRC natural persons (which means the OPCOs are

regarded as domestic enterprises), and hence, the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (including Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises) do not apply to the OPCOs. Accordingly, the Company is not currently required to comply with the Regulations (including the abovementioned Clause 10 requirements) in relation to the business operated by the OPCOs under the VIE Structure. The PRC Legal Adviser advised that in the event the VIE Structure is allowed to be unwound and thus the Company is to directly own equity interests in the OPCOs as at the date of this announcement, the Company has not fully complied with Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises as at the date of this announcement.

The PRC Legal Adviser also advised that in the event the PRC government reclassifies the value-added telecommunications business from the restricted category under the Foreign Investment Industrial Guidance Catalogue (2011) to the encouraged category, the Qualification Requirements will be amended, including without limitation, the prior experience in operating value-added telecommunications businesses and proven track record of business operations overseas requirements may be removed, amended or retained.

As a result, in the event the value-added telecommunications business has become the encouraged industry, there is a possibility that the Company still needs to comply with the requirements under Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises.

In view of the above, the Senior Management will continue to monitor and assess the development of the OPCOs. Subject to (i) the then relevant PRC laws and regulations; (ii) the future development of the OPCOs; and (iii) the Company's decision to continue the operations of the OPCOs, the Company will consider the following options:

- (i) acquisition(s) with the objective to gain the experience and qualification as required under Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises which may involve:
 - (a) formulate acquisition criteria based on the business strategy of the OPCOs, taking into account the relevant regulatory environment, history and track record of the target business, growth potential of the target operation, size and geographic location of the target operation;
 - (b) based on the acquisition criteria formed under (a), seek to identify suitable overseas business opportunities for acquiring a qualified telecommunications operator;
 - (c) perform detailed business analysis and assessment on each identified overseas opportunities, including a review of their strengths, weaknesses, opportunities and threats;

- (d) subject to the assessments under (c), explore and negotiate with the selected counterparty with regard to a possible acquisition of the operator(s);
 - (e) formulate detailed business plan for the target operation;
 - (f) upon completion, integrate the overseas operations into the Group's existing business so that the Group is capable of satisfying the requirements under Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises; and
 - (g) if appropriate, develop overseas operations to further the relevant overseas experience of the Group in operating value-added telecommunications businesses.
- (ii) seek a strategic partner with the required overseas value-added telecommunications services experience laid down in Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises to acquire a majority of the Company's equity interest in the WFOEs, such that the major foreign investor in the WFOEs will possess the overseas value-added telecommunications services experience as required under the said Clause 10, which may involve:
- (a) analyse and assess the possibility to dispose a majority of its equity interest in the WFOEs to a suitable overseas telecommunications operator with the required value-added services experience laid down in Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises;
 - (b) identify suitable overseas telecommunication operators; and
 - (c) explore and negotiate with the appropriate operators with regard to a possible disposal.

The Company will, as applicable, disclose the progress of the aforesaid plans and any updates to Clause 10 of the current Regulations for the Administration of Foreign-Invested Telecommunications Enterprises as and when appropriate.

(e) Principal terms of the agreements under the Control Contracts

The Control Contracts comprise (i) the Loan Agreements; (ii) the Equity Pledge Agreements; (iii) the Exclusive Equity Transfer Agreements; (iv) the Consulting and Servicing Agreements; and (v) the Agency Agreements. The principal terms of which are set out below:

Loan Agreements

Pursuant to OPCO A Loan Agreements, WFOE A (as lenders) provided loans in the total amount of RMB63 million to the Nominees (as borrowers), of which RMB42.35 million was provided to Mr. Ji and RMB20.65 million to Ms. He, respectively.

Pursuant to OPCO B Loan Agreements, WFOE B (as lender) provided loans in the total amount of RMB50 million to the Nominees (as borrowers), of which RMB30 million was provided to Mr. Ji and RMB20 million to Ms. He, respectively.

Pursuant to the Loan Agreements, among others,

- the Nominees were required to pledge their equity interests in OPCO A and OPCO B to WFOE A and WFOE B, respectively;
- the loans have a term of 20 years;
- under any circumstances, the repayment of the loans by the Nominees (in part or in full) can only be satisfied by the transfer of the equity interests in the respective OPCOs (in part or in full) to the WFOEs (or the nominees of the WFOEs). For avoidance of doubt, regardless of whether the repayment is made upon the expiry of the loans, upon the request of the WFOEs or under any other circumstances, save for the aforesaid repayment method, any other repayment methods adopted by the Nominees shall be invalid;
- the Nominees do not have the right to repay the loans prior to its expiry without the written consent of the WFOEs; and
- in the event that the consideration for the transfer of the equity interests in the OPCOs (please refer to the Exclusive Equity Transfer Agreements) is not more than the aggregated principal amount of the loans extended to the respective Nominees, the loans will be interest-free. However, if the consideration exceeds the aggregated principal amount of the loans extended to the respective Nominees, the interest of the loans shall be the difference between the consideration and the aggregated principal amount of the loans. Upon the completion of the transfer of the equity interests in the OPCOs, the Nominees shall be deemed to have satisfied all of their repayment obligations under the Loan Agreements.

Equity Pledge Agreements

Pursuant to the OPCO A Equity Pledge Agreement entered into by the Nominees, OPCO A and WFOE A, among others:

- the Nominees (as the pledgors) have pledged (i) 60% of the equity interest in OPCO A owned by Mr. Ji; and (ii) 40% of the equity interest in OPCO A owned by Ms. He, to WFOE A to guarantee the Nominees' obligations and liabilities owed to WFOE A, including those under the OPCO A Loan Agreements; and

- WFOE A can exercise its rights under the OPCO A Equity Pledge Agreement and enforce the right to the equity pledge, including, in the event of a breach, requiring the Nominees to dispose of the equity interest in OPCO A, or asking the Nominees to transfer the equity interest in OPCO A to WFOE A to discharge the Nominees' obligations and liabilities towards WFOE A if agreed by the parties.

The OPCO B Equity Pledge Agreement entered into by the Nominees, OPCO B and WFOE B, has similar terms as those set out in the OPCO A Equity Pledge Agreement.

Exclusive Equity Transfer Agreements

Pursuant to the OPCO A Exclusive Equity Transfer Agreement entered into by the Nominees, OPCO A and WFOE A, among others:

- the Nominees and OPCO A irrevocably grant the WFOE A with the exclusive right to acquire or to designate a qualified entity to acquire, the equity interest in OPCO A (in part or in whole) or the assets owned by the OPCO A (in part or in whole) at any time. Subject to the full compliance of the relevant PRC laws and regulations, WFOE A has the full discretion over the exercise time, manner and exercise price of the aforesaid purchase option. Shareholders of OPCO A shall not grant any parties, other than WFOE A or the designated entity, the same or similar rights;
- subject to the full compliance of the relevant PRC laws and regulations, upon the exercise of the rights attached to the purchase option, WFOE A or the designated entity has the right to acquire the entire equity interest in OPCO A or all the assets owned by OPCO A, and the consideration for the transfer will be offset against the total outstanding amount of loans under the OPCO A Loan Agreements (details of which are set out above); and
- in the event that, subject to the relevant PRC laws, the consideration for the entire equity interest in OPCO A or all the assets owned by OPCO A exceeds the outstanding amount of the loans, the loans shall bear interest and the consideration shall be offset against the principal of the loans and the accrued interest.

The OPCO B Exclusive Equity Transfer Agreement has similar terms as those set out in the OPCO A Exclusive Equity Transfer Agreement. However, pursuant to the OPCO B Exclusive Equity Transfer Agreement, the consideration under the purchase option is RMB50 million.

Consulting and Servicing Agreements

OPCO A and WFOE A entered into the OPCO A Consulting and Servicing Agreement. Pursuant to which, among others:

- OPCO A engages WFOE A to provide exclusive sales and consultancy services for a period of 20 years with an automatic extension for a further 10 years in absence of a written termination notice from WFOE A;
- unless WFOE A consents in writing, OPCO A shall not accept sales and consultancy services provided by any third party;
- OPCO A warrants that OPCO A will not transfer, dispose, lease, encumber its assets (including tangible and intangible, existing and assets to be acquired), unless it is within the normal course of business of OPCO A; and
- OPCO A shall not distribute any dividend to its shareholders.

The OPCO B Consulting and Servicing Agreement was entered into by WFOE B (as the service provider) and OPCO B (as the service consumer) has similar terms as those set out in OPCO A Consulting and Servicing Agreement.

Agency Agreements

Pursuant to the OPCO A Agency Agreement between OPCO A, the Nominees and WFOE A, the Nominees unconditionally and irrevocably authorise the natural persons designated by WFOE A to exercise the rights of the Nominees as the shareholders of OPCO A, including but not limited to, the right to attend shareholders' meetings and exercise the voting rights attached to the equity interest in OPCO A held by the Nominees.

The Nominees also agree to appoint the personnel recommended by WFOE A as director(s), general manager, finance director and other senior management of the OPCO A. The Nominees also agree to act on the recommendations of the aforesaid appointees.

In addition, the Nominees and OPCO A shall grant to WFOE A the rights to manage all the assets of OPCO A in the event of liquidation, termination of business, deregistration and any business termination related procedures.

The OPCO A Agency Agreement has a term of 20 years with an automatic extension for a further one year. WFOE A can terminate the Agency Agreements by serving a 30-day prior written notice.

The OPCO B Agency Agreement entered into by WFOE B, the Nominees and OPCO B has similar terms as those set out in OPCO A Agency Agreement.

Dispute resolution

Each of the Control Contracts is governed by PRC laws and provides for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). The arbitration shall take place in Beijing and the outcome of the arbitration shall be final and binding.

The Control Contracts provide that arbitrators may award remedies in rem over the equity interests in or assets of OPCOs in arbitration. They also provide that courts in the places where the parties of the Control Contracts are located shall have the power to grant interim remedies (such as property reservation and evidence reservation) in support of the arbitration pending formation of the arbitral tribunal or on appropriate time. The PRC Legal Adviser has also advised that the tribunal has no power to grant injunctive relief or winding up order under the PRC laws. Therefore, the dispute resolution provisions of the Control Contracts do not include the provision that an arbitral tribunal has the power to grant injunctive relief as remedy.

Succession

As advised by the PRC Legal Adviser, the provisions set out in the Control Contracts are also binding on the Nominees' successors. Under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Control Contracts. In case of a breach, the Group can enforce its rights against the successors. Therefore, the PRC Legal Adviser is of the view that (i) the Control Contracts are sufficient for the protection of the Group even in the event of death of any Nominee; and (ii) the death of any Nominee would not affect the validity of the Control Contracts, and the Group can enforce its right under the Control Contracts against the successors of the Nominees. The PRC Legal Adviser also confirmed that under the PRC law, a natural person cannot declare bankruptcy.

Furthermore, pursuant to the Exclusive Equity Transfer Agreements, the WFOEs can exercise the purchase option to acquire or to designate a qualified entity to acquire, the equity interest in the OPCOs (in part or in whole) or the assets owned by the OPCOs (in part or in whole) at any time. Subject to the full compliance of the relevant PRC laws and regulations, the WFOEs shall have the full discretion over the exercise time, manner and exercise price of the aforesaid purchase option.

(f) Risk factors in connection with the Control Contracts

If the PRC Government determines that the Control Contracts are not in compliance with applicable PRC laws and regulations, our business, financial condition or results of operations could be adversely affected.

In the opinion of the PRC Legal Adviser, the Control Contracts are in compliance with existing PRC laws and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there is no assurance that the PRC regulatory authorities will not ultimately take a view contrary to that of the PRC Legal Adviser. In such event, the flow of economic benefits from the OPCOs to the WFOEs as stipulated under the Control Contracts could be hampered or even terminated.

The Group may have to rationalise or restructure the operations of the OPCOs under the Control Contracts or terminate the New Media Business operated by the OPCOs in extreme circumstances where (i) the existing Control Contracts are invalidated by the PRC courts for non-compliance of applicable laws and regulations; and/or (ii) the Company is unable to satisfy the then applicable PRC laws and regulations, which may include but not limited to “The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises”. Such rationalisation or restructuring or termination of the New Media Business could result in the diversion of management attention and the incurrence of substantial operating and production costs which could adversely affect the Group’s business, financial condition or results of operations.

The Control Contracts related to critical aspects of the Group’s operations within the OPCOs and its shareholders may not be as effective as direct ownership in providing operational control.

The Group relies on the Control Contracts with the OPCOs and its shareholders to operate the OPCOs’ businesses. These Control Contracts may not be as effective as direct equity ownership in providing the Group with control and security over the OPCOs.

However, under the Control Contracts, if the OPCOs or their registered shareholders fail to perform its, his or her respective obligations under these Control Contracts, the Group may have to incur substantial costs and expend significant resources and time to enforce those arrangements and rely on legal remedies under the PRC laws. In the event that the Group is unable to enforce these Control Contracts, the Group may be unable to exert effective control over the OPCOs, and the Group’s ability to conduct its business may be materially and adversely affected.

The Nominees may not act in the interests of the Group and they may breach their contracts with the Group.

The Nominees may breach their contracts with the Group or otherwise have disputes with the Group, the Group may have to initiate legal proceedings, which involve significant uncertainties. Such disputes and proceedings may significantly disrupts the business operations of the Group, adversely affect the Group’s ability to control the OPCOs and/or otherwise result in negative publicity, and the Group cannot provide assurance that the outcome of such disputes and proceedings will be in the favour of the Group.

In the event that the OPCOs become profitable in the future, the Control Contracts may subject to scrutiny by the PRC tax authorities and may result in a finding that the Group owes additional taxes than calculated or are ineligible for tax exemptions, or both, which could substantially increase the Group’s taxes and thereby reduce the Group’s net income in the future.

Since the implementation of the Control Contracts in 2008, the OPCOs recorded losses in each of its financial years. In the event that the OPCOs become profitable in the future, the OPCOs will be subject to PRC business tax. In addition,

arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. If any transactions of the Group entered into between subsidiaries of the Group in the PRC, any of the OPCOs and their respective shareholders are determined by the PRC tax authorities not to be on an arm's length basis, or found to result in an impermissible reduction in taxes, the PRC tax authorities may adjust the profits and losses of such OPCOs, which may result in additional taxes payable. In addition, the PRC tax authorities may impose late payment fees and other penalties to such OPCOs for under-paid taxes. Thus, the Group's net income may be adversely and materially affected if the tax liabilities of any the OPCOs increase or if it is found to be subject to late payment fees or other penalties.

The Group has not taken out any insurance against the risks in connection with the Control Contracts.

The Group is not insured against the risks in connection with the Control Contracts, including but not limited to the risks as set out under the section headed "(f) Risk Factors in connection with the Control Contracts".

(g) Company's undertaking in connection to the Control Contracts after the Transfer of Listing

The Company undertakes to disclose the revenue, profit/loss, net assets and other material information attributable to the OPCOs in the forthcoming annual reports of the Company so long as the Control Contracts are in place.

In addition, for better corporate governance, the Company undertakes the following as soon as practicable, after the Transfer of Listing:

- (i) No change without independent non-executive Directors' approval: No changes to the Control Contracts will be made without the approval of the independent non-executive Directors;
- (ii) No change without independent Shareholders' approval: Save as described in paragraph (iv) below, no changes to the Control Contracts will be made without the approval of the Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Control Contracts in the annual reports of the Company (as set out in paragraphs (v) to (ix) below) will however continue to be applicable;
- (iii) Economic benefits flexibility: The Control Contracts shall continue to enable the Group to receive the economic benefits derived by the OPCOs through:
 - (aa) the Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in each of the OPCOs;
 - (bb) the business structure under which the before-tax-profit generated by the OPCOs is substantially retained by the WFOEs (such that no annual caps shall be set

on the amount of services fees payable to WOFEs under the Consulting and Servicing Agreements); and (cc) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCOs;

- (iv) Renewal and cloning: On the basis that the Control Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and the OPCOs, on the other hand, that framework may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under section headed "e) Principal terms of the agreements under the Control Contracts" above. Such new wholly foreign-owned enterprise or operating company (including branch company) may be established by the Group for expansion into the market due to potential business growth. When the term of operation of the relevant OPCOs as set out in their respective operating license comes to an end in future, the Group may also establish new companies as and when considered necessary. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish when justified by business expediency will, upon renewal and/or cloning of the Control Contracts, however be treated as the Group's Connected Persons and transactions between these Connected Persons and the Group other than those under similar Control Contracts shall comply with Chapter 14A of the Listing Rules. The aforesaid is subject to the relevant laws, regulations and approvals of the PRC;
- (v) The Control Contracts in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- (vi) Independent non-executive Directors will review the Control Contracts annually and confirm in the Company's annual report and accounts for the relevant year that: (aa) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Control Contracts, so that the profits generated by the OPCOs have been retained by WFOEs; (bb) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (cc) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole;

- (vii) The auditors of the Company will carry out agreed upon review procedures annually on the transactions carried out pursuant to the Control Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, at least ten business days before the Company bulk prints its annual report, confirming that the transactions have received the approval of the Directors and that no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to the Group;
- (viii) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the OPCOs will be treated as the Company’s subsidiaries, and at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the OPCOs and their respective associates will be treated as the Company’s “connected persons” (excluding for this purpose the OPCOs) and transactions between these connected persons and the Group (including for this purpose the OPCOs) shall comply with Chapter 14A of the Listing Rules;
- (ix) The OPCOs will undertake that, for so long as the Shares are listed on the Stock Exchange, the OPCOs will provide the Group’s management and the Company’s auditors with full access to their relevant records for the purpose of the Company’s auditors’ review of the connected transactions; and
- (x) In the event that the revenue derived from the New Media Business becomes material, the Company will take concrete steps to comply with the Qualification Requirements. Please refer to the plans described under the heading “Qualification Requirements under “The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises”” on page 19 of this announcement.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the Stock Exchange’s website at <http://www.hkexnews.hk> and the Company’s website at www.chinalotsynergy.com:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual report of the Company for the year ended 31 December 2012;
- (c) the first quarterly report of the Company for the three months ended 31 March 2013;
- (d) the interim report of the Company for the six months ended 30 June 2013;
- (e) each of the circulars dated 30 March 2012 and 28 March 2013 in relation to the re-election of Directors, general mandates to repurchase and issue Shares and notice of annual general meeting; and

- (f) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the Listing Rules and the GEM Listing Rules.

14. DEFINITIONS

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

“2002 Share Option Scheme”	the share option scheme adopted by the Company pursuant to resolution passed by the shareholders of the Company on 30 July 2002
“2012 Share Option Scheme”	the share option scheme adopted by the Company pursuant to resolution passed by the shareholders of the Company on 18 May 2012
“Acquisition”	acquisition of OPCO A
“Agency Agreements”	OPCO A Agency Agreement and OPCO B Agency Agreement
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 4,000 Shares to 20,000 Shares with effect from 9:00 a.m. on 30 October 2013
“Company”	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listing on GEM
“Consulting and Servicing Agreements”	OPCO A Consulting and Servicing Agreement and OPCO B Consulting and Servicing Agreement
“Control Contracts”	OPCO A Control Contracts and OPCO B Control Contracts
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreements”	OPCO A Equity Pledge Agreement and OPCO B Equity Pledge Agreement
“Exclusive Equity Transfer Agreements”	OPCO A Exclusive Equity Transfer Agreement and OPCO B Exclusive Equity Transfer Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Agreements”	OPCO A Loan Agreements and OPCO B Loan Agreements
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mr. Ji”	Mr. JI Youjun* (紀友軍)
“Ms. He”	Ms. HE Ying* (賀穎)
“New Media Business”	the provision of telephone lottery products
“Nominees”	Mr. Ji and Ms. He
“OPCO A”	北京網人互聯科技有限公司, a company with limited liabilities incorporated in the PRC
“OPCO A Agency Agreement”	the agency agreement dated 20 February 2008 which was subsequently terminated and replaced by the another agency agreement entered into on 7 July 2008 and further amended by another agreement dated 19 July 2013, entered into by WFOE A, the Nominees and OPCO A
“OPCO A Consulting and Servicing Agreement”	the consulting and servicing agreement dated 20 February 2008 which was subsequently terminated and replaced by the another consulting and servicing agreement dated 7 July 2008 which was further amended on 19 July 2013, entered into by WFOE A (as the service provider) and OPCO A (as the service consumer)

“OPCO A Control Contracts”	the OPCO A Agency Agreement, the OPCO A Consulting and Servicing Agreement, the OPCO A Exclusive Equity Transfer Agreement, the OPCO A Loan Agreements and the OPCO A Equity Pledge Agreement
“OPCO A Exclusive Equity Transfer Agreement”	the exclusive equity transfer agreement (dated 20 February 2008 and was subsequently terminated and replaced by another agreement dated 7 July 2008 which was then amended by various agreements dated 19 October 2010 and 19 July 2013), entered into by the WFOE A, the Nominees and OPCO A
“OPCO A Equity Pledge Agreement”	the equity pledge agreement dated 4 January 2008 which was subsequently terminated and replaced by the version entered into on 7 July 2008 (amended by various agreements dated 19 October 2010 and 19 July 2013) entered into by the WFOE A, the Nominees and OPCO A
“OPCO A Loan Agreements”	(i) the loan agreement dated 4 January 2008 which was subsequently terminated and replaced by another loan agreement dated 7 July 2008 (amended on 13 August 2008); and (ii) the second loan agreement dated 19 October 2010 (amended on 22 October 2010 and further supplemented on 19 July 2013), entered into by WFOE A (as lender) and the Nominees (as borrowers), the aggregate loan amount provided by WFOE B to the Nominees is RMB63 million
“OPCO B”	北京華彩贏通科技有限公司, a company with limited liabilities incorporated in the PRC
“OPCO B Agency Agreement”	the agency agreement entered into by WFOE B, the Nominees and OPCO B on 13 August 2008 and subsequently amended on 19 July 2013
“OPCO B Consulting and Servicing Agreement”	the consulting and servicing agreement dated 13 August 2008 (amended on 19 July 2013) entered into by WFOE B (as the service provider) and OPCO B (as the service consumer)
“OPCO B Control Contracts”	the OPCO B Agency Agreement, the OPCO B Consulting and Servicing Agreement, the OPCO B Exclusive Equity Transfer Agreement, the OPCO B Loan Agreements and the OPCO B Equity Pledge Agreement

“OPCO B Exclusive Equity Transfer Agreement”	the exclusive equity transfer agreement dated 13 August 2008 (amended on 19 October 2010 and 19 July 2013) entered into by WFOE B, the Nominees and OPCO B
“OPCO B Equity Pledge Agreement”	the equity pledge agreement dated 13 August 2008 (amended on 19 October 2010 and 19 July 2013), entered into by the WFOE B, the Nominees and OPCO B
“OPCO B Loan Agreements”	(i) the loan agreement dated 7 July 2008 (amended on 17 November 2008) entered into by WFOE B (as lender) and the Nominees (as borrowers); and (ii) the second loan agreement on 19 October 2010 (amended on 22 October 2010 and further supplemented on 19 July 2013) entered into by WFOE B (as lender) and the Nominees (as borrowers), the aggregate loan amount provided by WFOE B to the Nominees is RMB50 million
“OPCOs”	OPCO A and OPCO B
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“PRC Legal Adviser”	北京安杰律師事務所, the legal adviser of the Company as to PRC laws
“Qualification Requirements”	qualification requirements under “The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises”
“Senior Management”	senior management of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholders”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transfer of Listing”	the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to the Listing Rules
“USA”	the United States of America
“VIE Structure”	the variable interest entity structure via the Control Contracts which enable the Company to engage in the businesses of the OPCOs
“WFOE A”	華彩世紀科技發展(北京)有限公司, a wholly foreign-owned enterprise of the Group
“WFOE B”	華彩之家科技發展(北京)有限公司, a wholly foreign-owned enterprise of the Group
“WFOEs”	WFOE A and WFOE B

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

Hong Kong, 4 October 2013

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, Ms. CHAN Tan Na, Donna 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 Listing Rules and 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.

* For identification purposes only