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China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1371)

**ISSUE OF NEW SHARES AND GRANT OF OPTION
UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**

THE SUBSCRIPTION

The Board is pleased to announce that, on 16 October 2014 (before trading hours), the Company and the Subscriber (being a wholly owned subsidiary of Tencent) entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 594,034,513 new Shares (being the Subscription Shares) at the Subscription Price of HK\$0.75 per Subscription Share, and, subject to Completion and simultaneously with the allotment and issue of Subscription Shares, the Company has also agreed to irrevocably and unconditionally grant the Option to the Subscriber to subscribe for a further 273,140,969 new Shares at the Option Price of HK\$0.83 per Option Share (both the number of Option Shares and the Option Price being subject to adjustments (if any)).

The Subscription Shares to be issued pursuant to the Subscription Agreement represent (i) approximately 7.53% of the existing issued share capital of the Company as at the date of this announcement, and (ii) approximately 7.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (but before the Option is exercised).

* for identification purposes only

The Option Shares to be issued pursuant to the full exercise of the Option (if exercised, and assuming there will not be any adjustments thereto) shall represent (i) approximately 3.46% of the existing issued share capital of the Company as at the date of this announcement (before the issue of Subscription Shares); (ii) when aggregated with the Subscription Shares, shall represent in total approximately 10.99% of the existing share capital of the Company as of the date of this announcement; and (iii) when aggregated with the Subscription Shares, shall represent in total approximately 9.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Option Shares.

The Subscription Price and the Option Price were arrived at after arm's length negotiations between the Company and the Subscriber.

The net proceeds from the Transactions are estimated to be approximately HK\$445.5 million (assuming the Option is not exercised), and approximately HK\$672.2 million (assuming the Option is fully exercised), which the Company intends to use for the Group's general working capital, general corporate purposes and investments when business opportunities arise.

An application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Subscription Shares and the Option Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the Convertible Bonds has been halted with effect from 9:00 a.m. on 14 October 2014 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares and the Convertible Bonds on the Stock Exchange with effect from 9:00 a.m. on 16 October 2014.

Shareholders and potential investors should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions set out under the section headed "Conditions of the Completion" in this announcement, and accordingly, the Transactions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

The Board is pleased to announce that on 16 October 2014 (before trading hours), the Company and the Subscriber (being a wholly owned subsidiary of Tencent) entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for 594,034,513 new Shares (being the Subscription Shares) at the Subscription Price, and, subject to Completion and simultaneously with the allotment and issue of Subscription Shares, the Company has also agreed to irrevocably and unconditionally grant

the Option to the Subscriber to subscribe for a further 273,140,969 new Shares at the Option Price (both the number of Option Shares and the Option Price being subject to adjustments (if any)).

THE SUBSCRIPTION AGREEMENT

Date : 16 October 2014
Issuer : The Company
Subscriber : Hongze Lake Investment Limited

The Company understands that the principal business of the Subscriber is investment holding, and that the Subscriber is a wholly owned subsidiary of Tencent, which is a leading provider of comprehensive Internet services in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subscription Shares

As at the date of this announcement, a total of 7,892,172,820 Shares are in issue. The total number of the Subscription Shares is 594,034,513 new Shares, representing (i) approximately 7.53% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (but before the Option is exercised).

Option Shares

Subject to Completion and simultaneously with the allotment and issue of Subscription Shares, the Company shall irrevocably and unconditionally grant the Option to the Subscriber to subscribe for a further 273,140,969 new Shares, provided that Subscriber shall exercise the Option in respect of all (but not part only) of the Option Shares by written notice to the Company given at any time after Completion and prior to the expiry of a period of 12 months from Completion (both days inclusive), provided that the Option can be exercised in part if full exercise of the Option will cause the Subscriber's shareholding exceed 9.9% of the then enlarged share capital of the Company.

The total number of the Option Shares to be issued pursuant to the full exercise of the Option (if exercised, and assuming there will not be any adjustments thereto) is 273,140,969 new Shares, (i) representing approximately 3.46% of the existing issued share capital of the Company as at the date of this announcement (before the issue of Subscription Shares); (ii) when aggregated with the Subscription Shares, shall represent in total approximately 10.99% of the existing share capital of the Company as of the date of this announcement; and (iii) when aggregated with the Subscription Shares, shall represent in total approximately 9.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Option Shares.

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount whilst the Option remains exercisable, (i) the Option Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount and (ii) the number of Option Shares (subject to the Options so far as unexercised) in force immediately prior thereto shall be adjusted by multiplying it by the former nominal amount and dividing the result by the revised nominal amount.

The Option shall not be transferrable or assignable by the Subscriber, unless the Subscriber transfers the Option to any of its affiliates (being a subsidiary of Tencent) subject to the condition that the Option (or the Option Shares, if the Option is exercised) shall be re-transferred to the Subscriber immediately upon the transferee ceasing to be a subsidiary of Tencent.

Subscription Price and Option Price

The Subscription Price and Option Price were arrived at after arm's length negotiations between the Company and the Subscriber.

The total amount payable for all Subscription Shares is HK\$445,525,884.75. The Subscription Price of HK\$0.75 per Subscription Share represents:

- (a) a discount of approximately 11.8% to the closing price of HK\$0.85 per Share as quoted on the Stock Exchange on 13 October 2014, being the Last Trading Day; and
- (b) a premium of approximately 8.7% to the average closing price of approximately HK\$0.69 per Share for the last 30 trading days up to and including 13 October 2014, being the Last Trading Day.

The total amount payable for all Option Shares (assuming that the Option is fully exercised and that there will not be any adjustments thereto) is HK\$226,707,004.27. The Option Price of HK\$0.83 per Option Share represents:

- (a) a discount of approximately 2.4% to the closing price of HK\$0.85 per Share as quoted on the Stock Exchange on 13 October 2014, being the Last Trading Day; and
- (b) a premium of approximately 20.3% to the average closing price of approximately HK\$0.69 per Share for the last 30 trading days up to and including 13 October 2014, being the Last Trading Day.

The aggregate nominal value of the Subscription Shares and the Option Shares (assuming the Option is fully exercised) to be issued is HK\$2,167,938.705 (being the sum of the nominal value or par value of HK\$0.0025 per Subscription Share multiplied by 594,034,513 Subscription Shares and the nominal or par value of HK\$0.0025 per Option Share multiplied by 273,140,969 Option Shares).

Conditions of the Completion

The respective obligations of the Company and the Subscriber to effect Completion shall be subject to:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and the Option Shares;
- (b) there having not occurred a suspension in trading in the Shares on the Stock Exchange (save in respect of any suspension in trading of the Shares on the Stock Exchange which (i) is of a routine nature or otherwise within the Company's ordinary course of business, or which is not more than two consecutive trading days, or resumption of trading occurs on or before Completion Date; or (ii) is arising from the transactions contemplated under this Agreement); and
- (c) there being no material adverse change in the results of operations, business or in the financial condition of the Company and/or the Group as a whole.

The condition set out in paragraph (a) above is not waivable by either the Company or the Subscriber, and the conditions set out in paragraphs (b) and (c) above can be waived by the Subscriber in writing.

Completion

Pursuant to the Subscription Agreement, Completion shall take place on a Business Day no later than ten Business Days from and excluding the day on which the above conditions are satisfied or waived (or at such other time as the Company and the Subscriber may agree in writing). If Completion has not occurred by 15 November 2014, the Subscription shall cease to have any effect save for certain provisions stated therein and save in respect of claims arising out of any antecedent breach thereof.

Lock-up period

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that for a period of 12 months from the date of issuance of the Subscription Shares to the Subscriber, the Subscriber shall not, without the prior written consent of the Company:

- (a) offer, lend, pledge, charge, issue, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, in respect of any of the Subscription Shares; or
- (b) agree or contract to enter into any transaction described in the foregoing paragraph,

provided that the Subscriber may transfer the Subscription Shares to any of its affiliates (being a subsidiary of Tencent throughout the aforesaid lock-up period), on the condition that such Subscription Shares shall be re-transferred to the Subscriber immediately upon the transferee ceasing to be a subsidiary of Tencent, and provided further that the Subscriber may pledge or charge such Subscription Shares beneficially owned by the Subscriber in favour of any financial institution during the aforesaid lock-up period.

Mandate for the issue of the Subscription Shares and the grant of the Option

The Subscription Shares and the Option Shares (if the Option is exercised) will be allotted and issued pursuant to General Mandate. The maximum number of Shares which could be allotted and issued under the General Mandate is 1,541,584,564 Shares.

As at the date of this announcement, the Company has not allotted or issued any Shares under the General Mandate. The issue of Subscription Shares and the Option Shares (if the Option is exercised) is not subject to the approval of the Shareholders. Based on the information currently available and having regard to the General Mandate and the terms of the Option, the Company confirms that the Shares to be issued on the exercise of the Option shall be in compliance with Rule 15.02 of the Listing Rules.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Subscription Shares and the Option Shares.

Ranking

The Subscription Shares and Option Shares will rank *pari passu* in all respects with the Shares in issue as at the respective dates of allotment and issue of the Subscription Shares and the Option Shares.

INFORMATION ON THE GROUP

The Group is engaged in the provision of technology and services for lottery systems, terminal equipment, gaming products and their operations in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery.

On 16 October 2013, the Group became the first Hong Kong listed lottery company to successfully transfer its listing from the GEM Board to the Main Board of the Hong Kong Stock Exchange.

INFORMATION ON THE SUBSCRIBER

The Subscriber, Hongze Lake Investment Limited, is a wholly owned subsidiary of Tencent. Tencent is a leading provider of comprehensive Internet services in China. Its diversified services include QQ, Weixin and WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com for information; as well as eCommerce services.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Board considers that the Subscription lays a good foundation for future cooperation between the Group and Tencent.

The net proceeds from the Transactions are estimated to be approximately HK\$445.5 million assuming the Option is not exercised (representing a net price of approximately HK\$0.75 per Share), and approximately HK\$672.2 million assuming the Option is fully exercised (representing a net price of approximately HK\$0.78 per Share). Such proceeds are intended to be used as the Group's general working capital, general corporate purposes and investments when business opportunities arise.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

A summary of the equity fund raising activities of the Company in the past 12 months immediately preceding the date of this announcement is set out below:

Date of first announcement	Description	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
8 April 2014	Issue Of HK\$650 million 5% Convertible Bonds Due 2019	HK\$634.4 million in aggregate	Financing working capital and general corporate purpose	All proceeds have been used for the intended purpose

Further to the announcement dated 8 April 2014, the Company has completed the issuance of convertible bonds in the principal amount of HK\$580 million on 17 April 2014 and additional convertible bonds in principal amount of HK\$70 million under the relevant subscription agreement dated 2 May 2014, bringing the total size of the convertible bonds (“**Convertible Bonds**”) to HK\$650 million in aggregate principal amount. The Convertible Bonds shall be convertible into the paid ordinary shares of the Company of HK\$0.0025 each at an initial conversion price of HK\$0.93 each. As at the date of this announcement, no Convertible Bonds had been exercised by holders or redeemed by the Company. The Convertible Bonds are currently listed on the Stock Exchange.

Save as disclosed above, the Company had not conducted any fund raising activities during the past 12 months immediately prior to the date of this announcement.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has the following outstanding share options and convertible bonds:

- (a) share options granted pursuant to the share option scheme adopted on 30 July 2002 (“**2002 Option Scheme**”) and the share option scheme adopted on 18 May 2012 (“**2012 Option Scheme**”):

under the 2002 Option Scheme, a total of 33,200,000 Shares of the Company may be issued upon the exercise of all outstanding options granted and yet to be exercised as at the date of this announcement at a subscription price to be determined by the Board, subject to the minimum threshold as set out in the announcement dated 28 June 2002. Under the 2012 Option Scheme, a total of 232,525,000 Shares of the Company may be issued upon the exercise of all outstanding options granted and yet to be exercised at a subscription price to be determined by the Board, subject to the minimum threshold as set out in the announcement dated 30 March 2012 (collectively, the “**Outstanding Share Options**”); and

- (b) Convertible Bonds:

the outstanding Convertible Bonds confer rights to subscribe for a maximum of 698,924,731 new Shares at a conversion price of HK\$0.93 per Share upon exercise of the conversion rights attaching thereto.

Apart from the Outstanding Share Options and the Convertible Bonds, the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The table below sets out the effect of the Subscription and exercise of the Option on the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Subscription (but before exercise of the Option); and (iii) immediately upon exercise of the Option (if fully exercised, and assuming there will not

be any adjustments thereto) (when aggregated with Subscription Shares), in each case assuming that no other Shares are issued between the date of this announcement and exercise of the Option, whether pursuant to the Outstanding Share Options or the Convertible Bonds or otherwise:

	As at the date of this announcement		Immediately upon completion of the Subscription		Immediately upon exercise of the Option (if fully exercised) (when aggregated with Subscription Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
LAU Ting and CHAN Shing (Note 2)	1,361,114,125	17.25%	1,361,114,125	16.04%	1,361,114,125	15.54%
Non-public Shareholders (Note 3)	156,800,000	1.99%	156,800,000	1.85%	156,800,000	1.80%
Subscriber	0	0%	594,034,513	7.00%	867,175,482	9.90%
Other public Shareholders	<u>6,374,258,695</u>	<u>80.77%</u>	<u>6,374,258,695</u>	<u>75.11%</u>	<u>6,374,258,695</u>	<u>72.77%</u>
Total	<u>7,892,172,820</u>	<u>100.00%</u>	<u>8,486,207,333</u>	<u>100.00%</u>	<u>8,759,348,302</u>	<u>100.00%</u>

Notes:

- The above shareholding excludes the Outstanding Share Options and the Convertible Bonds of the Company.
- 266,974,373 Shares were held by Ms. LAU Ting. 242,486,426 Shares were held by Mr. CHAN Shing. 75,052,874 Shares were held by Hang Sing Overseas Limited (“**Hang Sing**”) which was wholly-owned by Orient Strength Limited (“**Orient Strength**”), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 Shares were held by Strong Purpose Corporation (“**Strong Purpose**”), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 636,932,594 Shares were held by Glory Add Limited (“**Glory Add**”) which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 Shares were held by Burwill Holdings Limited of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. As Mr. CHAN Shing is the spouse of Ms. LAU Ting, the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- The Shares held by non-public Shareholders consist of the Shares held by Directors other than Ms. LAU Ting.
- The above percentages may not add up to 100.00% due to rounding.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the Convertible Bonds has been halted with effect from 9:00 a.m. on 14 October 2014 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares and the Convertible Bonds on the Stock Exchange with effect from 9:00 a.m. on 16 October 2014.

GENERAL

Shareholders and potential investors should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions set out under the section headed “Conditions of the Completion” in this announcement, and accordingly, the Transactions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 27 May 2014 in which the Shareholders, inter alia, granted the General Mandate to the Directors
“Board”	the board of Directors
“Business Day”	means a day (other than Saturday or Sunday or public holiday) and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licenced banks in Hong Kong are open for general banking business
“Company”	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange with stock code 1371
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date on which Completion occurs
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Convertible Bonds”	has the same meaning as ascribed to it under the section “Equity Fund Raising Activities of the Company in the Past 12 Months”, and are listed on the Stock Exchange with stock code 5725
“Director(s)”	the director(s) of the Company

“General Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to, inter alia, allot, issue and otherwise deal with the Shares of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at 27 May 2014 (being the date of the AGM)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	the last trading date immediately prior to the date of which the trading of the Shares and the Convertible Bonds on the Stock Exchange was halted pending the release of this Announcement
“Listing Committee”	the listing sub-committee of the board of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the right of the Subscriber to require the Company to issue to the Subscriber the Option Shares at the Option Price, subject to adjustments (if any), in accordance with the terms and conditions of the Subscription Agreement
“Option Price”	HK\$0.83 per Option Share, subject to adjustments (if any) under the Subscription Agreement
“Option Shares”	273,140,969 new Shares to be issued pursuant to the exercise of the Option (if fully exercised), subject to adjustments (if any) under the Subscription Agreement
“PRC”	the People’s Republic of China (which for the purpose of the Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hongze Lake Investment Limited, a company incorporated in British Virgin Islands and is a wholly owned subsidiary of Tencent

“Subscription”	the subscription of the Subscription Shares by the Subscriber at the Subscription Price, pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 16 October 2014 entered into between the Company and the Subscriber in relation to, among other things, the subscription of the Subscription Shares and grant of the Option subject to the terms and conditions contained therein
“Subscription Price”	HK\$0.75 per Subscription Share
“Subscription Shares”	594,034,513 new Shares to be issued by the Company to the Subscriber under the Subscription
“Tencent”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange with stock code 700
“Transactions”	the transactions contemplated in the Subscription Agreement
“%”	percentage

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

Hong Kong, 16 October 2014

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.