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China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8161)

ANNOUNCEMENT ON

(1) AMENDMENTS TO THE TERMS AND CONDITIONS OF THE SUBSCRIPTION AGREEMENT AND THE CONVERTIBLE NOTE;

(2) EARLY REDEMPTION OF THE CONVERTIBLE NOTE BY WAY OF CASH PAYMENT AND ISSUANCE OF NEW CONVERTIBLE NOTE;

AND

(3) RESUMPTION OF TRADING

This announcement is made pursuant to Rules 17.10 and 17.32 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 2 May 2007 in relation to, among others, the Subscription Agreement and the issue of the Convertible Note.

The Board announces that on 20 September 2010, the Company and International Game Technology entered into the Supplemental Deed to amend certain terms and conditions of the Subscription Agreement and the Convertible Note to provide for, among others, early redemption of the Convertible Note by the Company at the redemption price of HK\$475,000,000, which represents a discount of approximately 13.6% to the face value of the Convertible Note. The Redemption Price will be settled by the Company by way of (i) making a cash payment of HK\$308,750,000 and (ii) issuance of the New Convertible Note with a principal amount of HK\$166,250,000 to International Game Technology.

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20 September 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 September 2010.

INTRODUCTION

This announcement is made pursuant to Rules 17.10 and 17.32 of the GEM Listing Rules.

Reference is made to the Announcement in relation to, among others, the Subscription Agreement, pursuant to which the Company agreed to allot and issue to International Game Technology and International Game Technology agreed to subscribe for (i) an aggregate of 93,400,000 new Shares at a consideration of HK\$252,180,000 and (ii) the Convertible Note.

International Game Technology has remained as the sole holder of the Convertible Note since its issuance and no part of the principal of the Convertible Note has been redeemed or converted up to the date of this announcement.

THE SUPPLEMENTAL DEED

Amendments to the Subscription Agreement and the Convertible Note

The Board announces that on 20 September 2010, the Company and International Game Technology entered into the Supplemental Deed to amend certain terms and conditions of the Subscription Agreement and the Convertible Note. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, International Game Technology, its ultimate beneficial owners and their respective associates are third parties independent of the Company and are not connected persons (as defined under the GEM Listing Rules) of the Company.

The major amendments proposed under the Supplemental Deed are summarised as follows:

Major amendments to the Subscription Agreement

The lock-up undertakings given by International Game Technology in favour of the Company under the Subscription Agreement in relation to non-disposal of any Shares and the Convertible Note for certain period of time will cease to have any further force and effect upon the signing of the Supplemental Deed.

Major amendments to the Convertible Note

The existing redemption provisions under the Convertible Note are amended with an additional provision to provide for early redemption of the Convertible Note by the Company. Pursuant to the Supplemental Deed, subject to the relevant approvals by the Stock Exchange, the Company shall have the right to redeem all and not some of the Convertible Note including all accrued interests at any time prior to the maturity date of the Convertible Note, being the eighth anniversary of the issue date of the Convertible Note, at the redemption amount of HK\$475,000,000, which shall be settled by the Company by way of:

- (i) making a cash payment of HK\$308,750,000 (which represents 65% of the Redemption Price) to International Game Technology by wire transfer in immediately available funds to the bank account(s) designated in writing by International Game Technology to the Company; and
- (ii) issuance of the New Convertible Note with a principal amount of HK\$166,250,000 (which represents 35% of the Redemption Price) to International Game Technology. A summary of the principal terms of the New Convertible Note is set out in the section headed "The New Convertible Note" of this announcement.

Conditions

The amendments to the Convertible Note shall become effective conditional on, among other things, the Stock Exchange having approved on (i) the amendments to the Convertible Note; and (ii) the issuance of the New Convertible Note pursuant to the Supplemental Deed; and (iii) the listing and the permission to deal in the Conversion Shares pursuant to the GEM Listing Rules. The Company agrees to use its best endeavours to obtain such approvals from the Stock Exchange by the Long Stop Date, failing which the Supplemental Deed shall be terminated in accordance with the Supplemental Deed.

Completion

Completion shall take place on the next Business Day immediately following the date on which the Company notifies International Game Technology that the relevant approvals from the Stock Exchange have been obtained.

At Completion, the Company shall redeem the Convertible Note from International Game Technology and issue the New Convertible Note to International Game Technology in accordance with the Supplemental Deed. International Game Technology shall procure Mr. Paulus Johannes Cornelis Aloysius Karskens, or any other director of the Company nominated by International Game Technology from time to time, to resign from the Board, and International Game Technology shall relinquish all rights it may have in the appointment of a nominee director to the Board.

Upon Completion, the Convertible Note so redeemed by the Company will be cancelled, and the existing certificate will be surrendered to the Company and cease to be evidence of legal title to the Convertible Note so redeemed.

Events of default

In the event Completion does not occur by reason of a breach by the Company of any of its obligations under the Supplemental Deed, a default payment in an amount equivalent to 121.89944 per cent of the principal amount of the Convertible Note less any payment already made by the Company to International Game Technology under the Supplemental Deed shall be payable by the Company to International Game Technology.

The making of the aforesaid default payment by the Company to International Game Technology shall represent a full and final settlement of all claims of whatsoever nature made or to be made by International Game Technology as the noteholder against the Company (if any) and that the Company shall be fully discharged and released from its obligations under the Convertible Note and the Supplemental Deed.

THE NEW CONVERTIBLE NOTE

The principal terms of the New Convertible Note are largely the same as the Convertible Note other than in relation to redemption. Such terms are summarised as follows:

Issuer

The Company.

Principal Amount

The aggregate principal amount of the New Convertible Note will be HK\$166,250,000, which represents 35% of the Redemption Price.

Issue Price

100% of the aggregate principal amount of the New Convertible Note.

Coupon

The New Convertible Note shall not bear any coupon.

Conversion Price

The New Convertible Note will be convertible at an initial conversion price of HK\$0.955 per Share. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, capital distribution, payment of extraordinary dividend, rights issues, issue of shares at a discount and other dilutive events of similar nature.

Redemption

Subject to the conditions set out in the New Convertible Note, the Company shall redeem the principal of the New Convertible Note in the following manner:

	<u>Instalment</u>	<u>Redemption Date</u>	<u>Instalment Amount</u>
(a)	1 st	The first Business Day falling on or after the first anniversary of the date of issue of the New Convertible Note (the “First Redemption Date”)	The lesser of HK\$95,000,000 or the balance thereof after deducting therefrom all amounts (if any) converted into the Shares on or prior to the First Redemption Date (the “First Conversion Sum”);
(b)	Final Instalment	Maturity Date (i.e.12 May 2012)	The lesser of HK\$71,250,000 or the balance thereof after deducting therefrom: (A) all amounts (if any) converted into Shares after the First Redemption Date and prior to the Maturity Date; and (B) if the First Conversion Sum exceeds HK\$95,000,000, such part of the First Conversion Sum in excess of HK\$95,000,000.

If the Company fails to perform its redemption obligation as set out above and fails to rectify such default within 10 Business Days of such occurrence, the Company shall pay a Redemption Default Payment to the Noteholder within 5 Business Days. The making of Redemption Default Payment by the Company to the Noteholder shall represent a full and final settlement of all claims of whatsoever nature made or to be made by the Noteholder against the Company (if any) and that the Company shall be fully discharged and released from its obligations under the New Convertible Note.

Conversion Period

(a) Subject to the Noteholder delivering a written notice stating the intention of the Noteholder to convert the whole or any part(s) of the principal amount of the New Convertible Note into Shares, the Noteholder shall have the right to convert on any Business Day during the period commencing on the date of issue of the New Convertible Note until the close of business on the 15th day prior to the Maturity Date at the Conversion Price provided that:

- (i) such part of the principal amount of the New Convertible Note has not previously been converted or purchased or cancelled; and
- (ii) such part of the principal amount of the New Convertible Note to be converted shall not be less than HK\$10,000,000 at any one time, so that the number of Shares which fall to be issued (subject to (b)) shall be calculated by applying the formula:

$$n = x/y$$

where

n = number of Conversion Shares to be issued

x = the whole or such part(s) of the principal amount of the New Convertible Note

y = the Conversion Price applicable on the Exercise Date

(b) Notwithstanding the above, the Noteholder may convert immediately after the occurrence of the following events:

- (i) if a general offer is made to all holders of the Shares (or such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire all or a portion of the Shares in accordance with the Code on Takeovers and Mergers in Hong Kong or the equivalent laws or regulations in other jurisdictions in the event the Shares are listed and traded on an Alternative Stock Exchange and such offer comes to the knowledge of the Company and the Board having considered the terms of the offer and taken the necessary independent advice from professional parties recommend to the holders of the Shares to accept such offer; or

- (ii) if any approval and/or license necessary for performance of the Technical Cooperation Agreement is denied, suspended or revoked pursuant to the Technical Cooperation Agreement, or if the Vice President of Compliance (as defined in the Technical Cooperation Agreement) of the Noteholder or the Noteholder's Compliance Committee (as defined in the Technical Cooperation Agreement) withdraws its approval of the Technical Cooperation Agreement pursuant to the Technical Cooperation Agreement.
- (c) No fraction of a Share shall be issued on conversion of the New Convertible Note but (except in cases where any such cash entitlement would amount to less than HK\$10) a cash payment will be made to the Noteholder in respect of such fraction.

Ranking of Conversion Shares

Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding at the Exercise Date and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

Transfer and the Right of First Refusal

The New Convertible Note or any part(s) thereof may be assigned or transferred at any time provided such assignment or transfer shall be in compliance with the conditions under the New Convertible Note and further subject to the conditions, approvals, requirements and any other provisions of or under:

- (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations; and
- (ii) the GEM Listing Rules and all applicable laws and regulations.

The Noteholder grants to the Company the right of first refusal in the event it decides to sell any part of or the whole of the New Convertible Note pursuant to the conditions thereunder.

Form of the New Convertible Note and Denomination

The New Convertible Note will be in registered form and in denominations of HK\$10,000,000.

Approval for listing

No application shall be made for a listing of the New Convertible Note. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the New Convertible Note.

Conversion price

The initial conversion price at HK\$0.955 per Share represents:

- (i) a premium of approximately 223.73% to the closing price of the Shares on 17 September 2010 of HK\$0.295;
- (ii) a premium of approximately 222.64% to the 5 day average closing price of the Shares over the 5 Trading Days up to and including 17 September 2010 of HK\$0.296;
- (iii) a premium of approximately 225.38% to the 10 day average closing price of the Shares over the 10 Trading Days up to and including 17 September 2010 of HK\$0.294;
- (iv) a premium of approximately 227.99% to the 30 day average closing price of the Shares over the 30 Trading Days up to and including 17 September 2010 of HK\$0.291; and
- (v) a premium of approximately 214.58% to the 60 day average closing price of the Shares over the 60 Trading Days up to and including 17 September 2010 of HK\$0.304.

The initial Conversion Price of HK\$0.955 per Share is derived based on the initial conversion price of HK\$3.82 under the Convertible Note after, taking into account of the 1 to 4 share subdivision conducted by the Company which came in effect on 7 August 2007. Assuming conversion on the New Convertible Note, after deducting expenses and commission, the net price per Share on conversion is estimated to be HK\$0.955.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION OF THE NEW CONVERTIBLE NOTE

Based on the initial Conversion Price and assuming full conversion of the New Convertible Note, the New Convertible Note will be convertible into approximately 174,083,769 Shares (subject to adjustment), representing approximately 2.35% of the existing share capital of the Company and approximately 2.30% of the enlarged issued share capital of the Company (taking into account only the effect of the issuance of the Conversion Shares).

The following table summarises the effects on the shareholding structure of the Company as a result of the full conversion of the New Convertible Note at the Conversion Price:

Name of Shareholders	Current Shareholding	Assuming full conversion of the New Convertible Note at the Conversion Price
Ms. LAU Ting and Mr. CHAN Shing (<i>Note 1</i>)	1,517,023,747 (20.49%)	1,517,023,747 (20.02%)
Other non-public Shareholder(s) (<i>Note 2</i>)	4,000,000 (0.05%)	4,000,000 (0.05%)
The Noteholder	373,600,000 (5.05%)	547,683,769 (7.23%)
Public	5,507,540,253 (74.40%)	5,507,540,253 (72.69%)
Total	7,402,164,000 (100%)	7,576,247,769 (100%)

Notes:

- (1) 259,974,373 shares were owned by Ms. LAU Ting. 389,286,426 shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting. 147,162,496 shares were held by Hang Sing Overseas Limited which was owned as to 51% by Orient Strength Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 shares were held by Strong Purpose Corporation, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 580,932,594 shares were held by Glory Add Limited 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. 23,093,192 shares held by Hang Sing were in short positions. The interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- (2) The interests held by other non-public Shareholder(s) in the share capital of the Company consist of the interests held by a Director other than Ms. Lau Ting and Mr. CHAN Shing.

On 18 May 2010, the Company granted a general mandate to the Directors at its annual general meeting to allot and issue up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the annual general meeting. To date, there has been no issue of shares under the general mandate granted. The Conversion Shares will be issued under the general mandate granted at the annual general meeting of the Company held on 18 May 2010.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL DEED

The primary purpose of entering into the Supplemental Deed is to allow the Company to retire the outstanding debt under Convertible Note at a reasonable discount, and hence increases its return on cash.

The Redemption Price represents a discount of approximately 13.6% to the face value of the Convertible Note. The Redemption Price was arrived at after arm's length negotiations between the Company and International Game Technology with reference to public data, including yields on corporate debts. The payment will be satisfied by internal resources of the Company.

The Board considers that the early redemption of the Convertible Note would not have any adverse impact on the Group's financial position, which would remain sound following the early redemption.

The Directors consider the terms of the Supplemental Deed to be fair and reasonable and the issue of the New Convertible Note are in the best interest of the Shareholders and the Company as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of provision of lottery systems, game products, terminal equipment and related technologies and marketing services to the public welfare lottery market in China

INFORMATION OF INTERNATIONAL GAME TECHNOLOGY

International Game Technology, the shares of which are listed on the New York Stock Exchange (NYSE: IGT), is a global company specializing in the design, development, manufacturing, distribution and sale of computerized gaming machines and related systems.

The Supplemental Deed may or may not become unconditional, Shareholders and potential investors are therefore advised to exercise due care when dealing in the shares of the Company.

SUSPENSION AND RESUMPTION OF TRADING

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20 September 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 September 2010.

TERMS AND DEFINITIONS USED IN THIS ANNOUNCEMENT

Alternative Stock Exchange	means at any time, in the case of the Shares, if they are not at the time listed or traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
Announcement	means the announcement the Company dated 2 May 2007 in relation to, among others, the Subscription Agreement and the Convertible Note
Board	means the board of directors of the Company for the time being
Business Day	means a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or gazetted public holiday in Hong Kong)
Closing Price per Share	means the closing price per Share quoted on the daily quotation list of the Stock Exchange or the equivalent quotation sheet of an Alternative Stock Exchange on any Trading Day
Company	means China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
Completion	means completion of the transactions contemplated under the Supplemental Deed
Conversion Price	means the price of HK\$0.955 per Share, subject to adjustments
Conversion Shares	means any Shares to be issued by the Company upon the Noteholder exercising its conversion right under and in accordance with the terms and conditions of the New Convertible Note

Convertible Note	means a zero coupon convertible note due in 2015 in an aggregate principal amount of HK\$550 million issued by the Company to International Game Technology pursuant to and in accordance with the terms of the Subscription Agreement
Directors	means the directors of the Company from time to time
Exercise Date	means a date on which a notice is given in respect of the exercise of the conversion rights under the New Convertible Note
GEM Listing Rules	means the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
Group	means the group of companies comprising the Company and its subsidiaries
Hong Kong	means The Hong Kong Special Administrative Region of the People's Republic of China
International Game Technology	means International Game Technology, a company incorporated in the State of Nevada, the United States of America
Long Stop Date	means within one (1) month after the signing of the Supplemental Deed by the Company and International Game Technology or such other date as the parties may agree
Maturity Date	means 12 May 2012
New Convertible Note	means a zero coupon convertible note with a principal amount of HK\$166,250,000 due on 12 May 2012 issued by the Company to International Game Technology pursuant to and in accordance with the terms of the Supplemental Deed
Noteholder	means the person who is for the time being the registered holder of the New Convertible Note
Redemption Default Payment	means the balance of HK\$361,696,920 after deducting therefrom all sums representing the principal of the New Convertible Note having been actually repaid and converted into Shares in accordance with the conditions contained in the New Convertible Note
Redemption Price	means HK\$475,000,000, being the price payable by the Company to International Game Technology to redeem the Convertible Note in full together with all accrued interests pursuant to the Supplemental Deed

Share(s)	means ordinary shares of HK\$0.0025 each in the share capital of the Company and all other (if any) stock or shares from time to time and for the time being ranking <i>pari passu</i> therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof
Shareholder(s)	means holder(s) of the Share(s)
Stock Exchange	means The Stock Exchange of Hong Kong Limited
Subscription Agreement	means the agreement dated 1 May 2007 between the Company and International Game Technology in respect of, among other things, the issue of the Convertible Note by the Company to International Game Technology
Supplemental Deed	means the supplemental deed dated 20 September 2010 between the Company and International Game Technology in respect of, among other things, (i) amending and varying the terms and conditions of the Subscription Agreement; and (ii) issuance of the New Convertible Note by the Company to International Game Technology
Technical Cooperation Agreement	means the agreement dated 1 May 2007 between the Company and IGT in relation to the then existing and future business of the Company and its subsidiaries, as the same may be amended, novated and/or supplemented from time to time
Trading Day	means a day on which the Shares are traded on the Stock Exchange for a minimum of 3 hours and an official Closing Price per Share is provided by the Stock Exchange
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
China LotSynergy Holdings Limited
Liao Yuang-whang
Executive Director

Hong Kong, 21 September 2010

As at the date of this announcement, the Board comprises Ms. Lau Ting, Mr. Chan Shing, Mr. Wu Jingwei and Mr. Liao Yuang-whang as Executive Directors; Mr. Hoong Cheong Thard and Mr. Paulus Johannes Cornelis Aloysius Karskens as Non-Executive Directors; and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming as Independent Non-Executive Directors.

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

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

** For identification purposes only*