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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)**

**PROPOSED ISSUE AND LISTING OF SUBSCRIPTION SHARES AND  
ISSUE OF ZERO COUPON CONVERTIBLE NOTE DUE 2015  
CONVERTIBLE INTO ORDINARY SHARES OF THE COMPANY  
AND THE TECHNICAL COOPERATION AGREEMENT WITH IGT  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to China LotSynergy Holdings Limited**



The Board is pleased to announce that on 1 May 2007, the Group and International Game Technology (NYSE: IGT) entered into the Subscription Agreement and the Technical Cooperation Agreement. The Subscriber will invest a total of HK\$802,180,000 in the Group by way of a subscription of new Shares and the Convertible Note. Pursuant to these agreements, a strategic alliance is formed between the parties, through which the Group will be able to source advanced gaming technology from International Game Technology to support its business expansion in the lottery market in China.

**The Subscription**

On 1 May 2007, the Company and the Subscriber entered into the Subscription Agreement, whereby the Company has agreed to allot and issue to the Subscriber and the Subscriber has agreed to subscribe for (i) 93,400,000 new Shares, representing approximately 5.3% of the total issued share capital of the Company as at the date of this announcement and approximately 5.0% of the enlarged issued share capital of the Company immediately after Completion, at a consideration of HK\$252,180,000; and (ii) the Convertible Note with a principal amount of HK\$550,000,000.

The subscription price for each Subscription Share is HK\$2.70 and the total consideration for the Subscription Shares amounts to HK\$252,180,000. The Subscription Shares and the Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 24 April 2007. As of the date of this announcement, no Share has been issued under such general mandate since 24 April 2007.

Based on the initial Conversion Price of HK\$3.82 per Share and assuming full conversion of the Convertible Note, the Convertible Note will be convertible into approximately 143,979,000 Shares (subject to adjustment) representing approximately 8.1% of the total issued share capital of the Company as at the date of this announcement and approximately 7.2% of the enlarged issued share capital of the Company (taking into account only the effect of the issuance of the Subscription Shares and the Conversion Shares).

UBS Investment Bank acted as the financial adviser to the Company in respect of the Subscription.

The Company will apply to the Stock Exchange for the approval of the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

### **The Technical Cooperation Agreement**

On 1 May 2007, the Company and IGT also entered into the Technical Cooperation Agreement in relation to technical support, assistance and consultation services. Under the Technical Cooperation Agreement, IGT will provide certain technical services to the Group in respect of its existing business. The Company and IGT will also explore other cooperation opportunities together. The provision of various services by IGT will be subject to the execution of the relevant statements of work.

**Completion of the Subscription Agreement is subject to the satisfaction of various conditions precedent, as such, it may or may not complete. Therefore, the Subscription Shares and the Convertible Note may or may not be issued. Further, the Technical Cooperation Agreement will only come into effect upon completion of the Subscription Agreement. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.**

### **Resumption of Trading**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2 May 2007 at the request of the Company pending the release 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 3 May 2007.

## **1. THE SUBSCRIPTION AGREEMENT**

**Date:** 1 May 2007  
**Parties:** (1) The Company  
(2) The Subscriber

To the best of the Directors' knowledge, information and belief, the Subscriber (i) is a third party independent of the Group and is not a connected person (as defined in the GEM Listing Rules) of the Group; and (ii) is not acting in concert (as defined under the Takeovers Code) with any shareholders of the Company.

Subject to the fulfillment of the conditions set out below under the section headed “Conditions Precedent”, the Company has agreed to allot and issue to the Subscriber and the Subscriber has agreed to subscribe for (i) the Subscription Shares representing approximately 5.3% of the total issued share capital of the Company as at the date of this announcement, approximately 5.0% of the enlarged issued share capital of the Company immediately after Completion and approximately 4.65% of the enlarged issued share capital of the Company immediately after the full conversion of the Convertible Notes; and (ii) the Convertible Note, with a principal amount of HK\$550,000,000.

### **Consideration**

The consideration payable by the Subscriber to the Company in respect of the Subscription Shares on Completion shall be HK\$252,180,000, being the subscription price of HK\$2.70 per Share multiplied by the number of Subscription Shares. The net price of each Subscription Share after deduction of expenses and commission is estimated to be HK\$2.65.

The subscription price of HK\$2.70 per Share represents:

- (i) a discount of approximately 4.93% to the closing price of the Shares on 30 April 2007 of HK\$2.84;
- (ii) a discount of approximately 3.57% to the 5 day average closing price of the Shares over the 5 Trading Days up to and including 30 April 2007 of HK\$2.80;
- (iii) a premium of approximately 11.11% to the 30 day average closing price of the Shares over the 30 Trading Days up to and including 30 April 2007 of HK\$2.43; and
- (iv) a premium of approximately 14.89% to the 60 day average closing price of the Shares over the 60 Trading Days up to and including 30 April 2007 of HK\$2.35.

The subscription price was determined with reference to the market price of the Shares after arm’s length negotiation with the Subscriber.

The consideration payable to the Company on Completion by the Subscriber for the issue of the Convertible Note shall be the face value thereof, i.e. HK\$550,000,000.

### **Conditions Precedent**

The obligations of the Subscriber to subscribe for the Subscription Shares and the Convertible Note are subject to the following conditions precedent:

- (i) if required, the Stock Exchange granting its approval for the issue of the Convertible Note;
- (ii) the listing of and permission to deal in all of the Subscription Shares and the Conversion Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to customary conditions) and not being subsequently revoked prior to the Completion Date;

- (iii) delivery to the Subscriber a legal opinion issued by Appleby as legal advisers to the Company as to Bermuda law which shall be dated no more than 5 Business Days earlier than the Completion Date;
- (iv) the Subscriber being satisfied with the results of its remaining due diligence investigations (other than in respect the regulatory and compliance due diligence) on the Group;
- (v) the Company being satisfied with the results of its remaining due diligence investigations on the Subscriber Group;
- (vi) the Subscriber being satisfied with the regulatory and compliance due diligence on the Group; and
- (vii) the Technical Cooperation Agreement being duly executed by the Company and IGT.

As at the date of this announcement, the condition precedent set out in (vii) above has been fulfilled. The Subscriber may waive the condition precedent set out in (iv) and (vi) above, whilst the Company may waive the condition precedent set out in (v) above.

In the event the above conditions precedent are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall cease to have any effect and the parties shall be released from all obligations thereunder, save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

### **Completion**

Completion shall take place on 31 May 2007 or such other date as the Parties may agree in writing. Upon Completion, the Subscriber will be entitled to nominate a representative to the Board to act as a non-executive director.

### **Lock-Up Undertaking**

#### *A. As regards the Shares*

The Subscriber undertakes to the Company that, except with the prior written consent of the Company, from the Completion Date and up to the eighth anniversary of the Completion Date (both days inclusive), it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will:

- (i) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including any Conversion Shares), or any interests in or any securities convertible into or exercisable or exchangeable for any such Shares or interests; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

unless (a) the termination of the Mutual Exclusivity Arrangement in accordance with the terms of the Technical Cooperation Agreement; or (b) 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 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 Subscriber or the Subscriber's Compliance Committee (as defined in the Technical Cooperation Agreement) withdraws its approval of the Technical Cooperation Agreement pursuant to the Technical Cooperation Agreement, in such event the Subscriber's lock-up undertaking in respect of the Shares (including the Conversion Shares) shall cease upon occurrence of any of such events.

*B. As regards the Convertible Note*

The Subscriber undertakes to the Company that, except with the prior written consent from the Company, from the Completion Date and up to the eighth anniversary of the Completion Date (both days inclusive), it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will:

- (i) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Convertible Note; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Convertible Note,

unless (a) the termination of the Mutual Exclusivity Arrangement in accordance with the terms of the Technical Cooperation Agreement; or (b) 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 Subscriber or the Subscriber's Compliance Committee (as defined in the Technical Cooperation Agreement) withdraws its approval of the Technical Cooperation Agreement pursuant to the Technical Cooperation Agreement, in such event the Subscriber's lock-up undertaking in respect of the Convertible Note shall cease upon occurrence of any of such events.

## 2. TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarised as follows:

### **Issuer**

The Company.

### **Principal Amount**

The aggregate principal amount of the Convertible Note will be HK\$550,000,000.

### **Issue Price**

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

### **Coupon**

The Convertible Note shall not bear any coupon.

### **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 Convertible Note into Shares and the undertaking provided by the Subscriber set out in the section headed “Possible Continuing Connected Transaction” below, the Noteholder shall have the right to convert on any Business Day during the period on or after the third anniversary of the date of the Convertible Note until the close of business on the 15th day prior to the eighth anniversary of the date of the Convertible Note at the Conversion Price provided that:
- (i) such part of the principal amount of the Convertible Note has not previously been converted or purchased or cancelled; and
  - (ii) such part of the principal amount of the 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 this 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 Subscriber or the Subscriber'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 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.

### **Conversion Price**

The Convertible Note will be convertible at an initial conversion price of HK\$3.82 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.

### **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**

Save for the lock-up undertaking provided by the Subscriber set out in the section headed "Lock-Up Undertaking" above, the 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 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 Subscriber grants to the Company the right of first refusal in the event it decides to sell any part of or the whole of the Convertible Note pursuant to the conditions thereunder.

### **Redemption at Maturity**

Unless previously converted, purchased or cancelled in accordance with the conditions under the Convertible Note, the Company shall redeem the Convertible Note on the Maturity Date at 137.27857 per cent. of the principal amount outstanding on such date.

### **Redemption at the Option of the Company**

On or at any time after 31 May 2012 and prior to the Maturity Date, the Company may, having given not less 30 nor more than 60 days' notice to the Noteholder (which notice will be irrevocable), redeem all and not some only of the Convertible Note at a redemption price equal to the Early Redemption Amount (as defined below) on the date fixed for the redemption, provided, however, that no such redemption may be made unless the Aggregate Value (as defined in the terms of the Convertible Note) of the Convertible Note for each of the 30 consecutive Trading Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day.

The Company may, having given not less than 30 nor more than 60 days' notice to the Noteholder (which notice will be irrevocable), redeem all and not some only of the Convertible Note at a redemption price equal to the Early Redemption Amount on the date fixed for the redemption if at any time at least 90 per cent. in the principal amount of the Convertible Note has already been converted, redeemed or purchased and cancelled.

The “**Early Redemption Amount**” of the Convertible Note, for each HK\$10,000,000 principal amount of the Convertible Note, is determined so that it represents for the Noteholder a gross yield of 4 per cent. per annum, calculated on a semi-annual basis.

### **Redemption upon Occurrence of a Relevant Event**

Following the occurrence of a Relevant Event (as defined below), the Noteholder will have the right at such holder's option, to require the Company to redeem all or some of that Noteholder's Note at the Early Redemption Amount.

A “Relevant Event” occurs when the Shares cease to be listed or admitted to trading on the Stock Exchange or an Alternative Stock Exchange.

### **Redemption at the Option of the Noteholder**

On 31 May 2012 (the “**Put Option Date**”), the Noteholder may, having given notice not earlier than 60 days and not later than 30 days prior to the Put Option Date to the Company (which notice will be irrevocable), require the Company to redeem all or some only of the Convertible Note on the Put Option Date at 121.89944 per cent. of its principal amount.



## **Form of the Convertible Note and Denomination**

The 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 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 Convertible Note.

## **Conversion price**

The initial conversion price at HK\$3.82 per Share represents:

- (i) a premium of approximately 34.51% to the closing price of the Shares on 30 April 2007 of HK\$2.84;
- (ii) a premium of approximately 36.43% to the 5 day average closing price of the Shares over the 5 Trading Days up to and including 30 April 2007 of HK\$2.80;
- (iii) a premium of approximately 38.91% to the 10 day average closing price of the Shares over the 10 Trading Days up to and including 30 April 2007 of HK\$2.75;
- (iv) a premium of approximately 57.20% to the 30 day average closing price of the Shares over the 30 Trading Days up to and including 30 April 2007 of HK\$2.43; and
- (v) a premium of approximately 62.55% to the 60 day average closing price of the Shares over the 60 Trading Days up to and including 30 April 2007 of HK\$2.35.

The initial Conversion Price of HK\$3.82 per Share is negotiated between the Company and the Subscriber on an arm's length basis and was determined with reference to, among other things, the historical volatility of the Share prices of the Company, credit of the Group, the prevailing market interest rate and the terms and conditions of the Convertible Note. Assuming conversion on the Convertible Note, after deducting expenses and commission, the net price per Share on conversion is estimated to be HK\$3.74.

### **3. EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE ISSUE OF THE SUBSCRIPTION SHARES AND THE CONVERSION OF THE CONVERTIBLE NOTE**

The Company will issue and allot the Subscription Shares to the Subscriber upon Completion.

Based on the initial Conversion Price and assuming full conversion of the Convertible Note, the Convertible Note will be convertible into approximately 143,979,000 Shares (subject to adjustment), representing approximately 8.1% of the existing share capital of the Company and approximately 7.2% of the enlarged issued share capital of the Company (taking into account only the effect of the issuance of the Subscription Shares and the Conversion Shares).

The following table summarises the effects on the shareholding structure of the Company as a result of the issue of the Subscription Shares and the full conversion of the Convertible Note:

Name of Shareholders	Current Shareholding	Immediately after the Issue of the Subscription Shares	Assuming full conversion of the Convertible Note at the Conversion Price
Mr. Chan Shing ( <i>Note 1</i> )	146,155,810 (8.24%)	146,155,810 (7.83%)	146,155,810 (7.27%)
Burwill Holdings Limited ( <i>Note 2</i> )	385,489,074 (21.75%)	385,489,074 (20.66%)	385,489,074 (19.18%)
Other non-public Shareholders ( <i>Note 3</i> )	192,406,000 (10.85%)	192,406,000 (10.31%)	192,406,000 (9.57%)
The Subscriber	– (0.00%)	93,400,000 (5.00%)	237,379,000 ( <i>Note 4</i> ) (11.81%)
Public	1,048,781,116 (59.16%)	1,048,781,116 (56.20%)	1,048,781,116 (52.17%)
Total	<u>1,772,832,000</u> (100%)	<u>1,866,232,000</u> (100%)	<u>2,010,211,000</u> (100%)

*Notes:*

- (1) 72,951,773 Shares are owned by Mr. Chan Shing. 51,288,803 Shares are owned by Ms. Lau Ting, the spouse of Mr. Chan Shing and an Executive Director of the Company. 11,320,192 Shares are owned by Hang Sing Overseas Limited which is owned as to 51% by Orient Strength Limited, a company which is wholly-owned by Ms. Lau Ting and Mr. Chan Shing. 10,595,042 Shares were held by Strong Purpose Corporation, a company which is wholly-owned by Ms. Lau Ting and Mr. Chan Shing.
- (2) Burwill Holdings Limited is a company whose shares are listed on the Main Board of the Stock Exchange. Burwill Holdings Limited is owned as to 21.94% by Hang Sing Overseas Limited, 20.53% by Strong Purpose Corporation, as to 1.26% by Mr. Chan Shing and as to 2.11% by Ms. Lau Ting.
- (3) The interests held by other non-public Shareholders in the share capital of the Company consist of the interests held by (i) Toward Plan Investments Limited which is wholly-owned by Mr. Lim Loong Keng, a substantial Shareholder of the Company, and (ii) the Directors other than Ms. Lau Ting.
- (4) Assuming the Subscriber has not sold, transferred or disposed of the relevant Subscription Shares.

On 24 April 2007, 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 Subscription Shares and the Conversion Shares will be issued under the general mandate granted at the annual general meeting of the Company held on 24 April 2007.

#### **4. USE OF PROCEEDS**

The estimated net proceeds of the Subscription Shares and the Convertible Note after deduction of the relevant expenses and commission are approximately HK\$786,000,000, which will be used for financing business expansion, potential investment opportunities and general working capital. As at the date of this announcement, the Company has explored new business and investment opportunities but has not reached any agreements with any party.

#### **5. THE TECHNICAL COOPERATION AGREEMENT**

On 1 May 2007, the Company and IGT also entered into the Technical Cooperation Agreement in relation to technical support, assistance and consultation services. Under the Technical Cooperation Agreement, IGT will provide certain technical services to the Group in respect of its existing business. The Company and IGT will also explore other cooperation opportunities together. The provision of various services by IGT will be subject to the execution of the relevant statements of work. Such statements of work will be agreed and signed by the relevant parties and will be incorporated into the Technical Cooperation Agreement and be deemed to form part thereof. The Company will make appropriate announcement(s) in relation to the agreements to be entered into by IGT and the Company pursuant to the requirements under the GEM Listing Rules when necessary.

#### **6. REASONS FOR AND BENEFITS OF THE ISSUE OF THE SUBSCRIPTION SHARES AND CONVERTIBLE NOTE AND ENTERING INTO THE TECHNICAL COOPERATION AGREEMENT**

The Directors consider that given the Subscriber is the global leader in the supply of gaming technology (further details of which are set out in the section “Information on the Subscriber Group” below), the issue of the Subscription Shares and Convertible Note will enable the Subscriber to establish a strategic alliance with the Company, and whilst providing additional financial resources for the Company, it will enable the Group to source advanced gaming technology to support its business expansion in China.

In addition, the issue of the Subscription Shares and the Convertible Note will strengthen the capital base of the Company and at the same time raise capital for the Company without the higher interest costs often associated with debt finance.

The Directors consider the terms of the Subscription Agreement and the Technical Cooperation Agreement to be fair and reasonable and the issue of the Subscription Shares and the Convertible Note and the entering into the Technical Cooperation Agreement are in the best interest of the Shareholders and the Company as a whole.

#### **7. POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

In the event that the Subscriber intends to acquire new Shares or exercise its conversion right under the Convertible Note and, as a result of such acquisition or exercise, its shareholding in the Company will increase to more than 10%, the Subscriber or IGT will become or deemed to be a “connected person” of the Company under the GEM Listing Rules. As a result, the Technical Cooperation Agreement will constitute a “continuing connected transaction” under Chapter 20 of the GEM Listing Rules.

Under the Subscription Agreement, the Subscriber undertakes to notify the Company in writing its intention to exercise its conversion right under the Convertible Note or acquire new Shares that will increase its shareholding in the Company to more than 10%. The Company shall, upon receipt of the Subscriber's notice, take all necessary actions to ensure compliance with the GEM Listing Rules in respect of its continuous consummation of the Technical Cooperation Agreement and the Subscriber shall refrain from such acquisition of further Shares or conversion of the Convertible Note until the Company has complied with the requirements under the GEM Listing Rules.

The Company will make appropriate announcement in relation to the possible continuing connected transaction pursuant to the GEM Listing Rules in a timely manner when necessary.

## **8. INFORMATION OF THE GROUP**

The Group is principally engaged in investment, project development and the provision of technologies and equipments and consultancy services in public welfare lottery business and related sectors in China.

Within 12 months before the date of this announcement, the Company had not had any fund raising exercise.

## **9. INFORMATION OF SUBSCRIBER GROUP**

The Subscriber, 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.

## **10. RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2 May 2007 at the request of the Company pending the release 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 3 May 2007.

**Completion of the Subscription Agreement is subject to the satisfaction of various conditions precedent, as such, it may or may not complete. Therefore the Subscription Shares and the Convertible Note may or may not be issued. Further, the Technical Cooperation Agreement will only come into effect upon completion of the Subscription Agreement. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.**

## **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
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)
China	means the People's Republic of China
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 the completion of the issue and allotment of the Subscription Shares and the issue of the Convertible Note by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement
Completion Date	means 31 May 2007 or such other date as the Parties may agree in writing
Conversion Price	means the price of HK\$3.82 per Share, subject to adjustment
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 Convertible Note
Convertible Note	means an unsecured 8-year maturity zero coupon convertible note with a principal amount of HK\$550,000,000 to be issued to the Subscriber 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 Convertible Note
Equity Fund Raising Activity	means any equity-linked fund raising activity of the Company by way of placing of new Shares or issuance of securities exchangeable or convertible into new Shares but excluding any offer of new Shares to all existing Shareholders of the Company on a pro rata basis, such as, by way of rights issue or open offer

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
IGT	means a wholly-owned subsidiary of the Subscriber
Long Stop Date	means 2 Business Days immediately before the Completion Date (or such later date as the Company and the Subscriber may agree in writing)
Maturity Date	means the eighth anniversary of the issue date of the Convertible Note
Mutual Exclusivity Arrangement	means the agreement between the Company and IGT pursuant to the Technical Cooperation Agreement to operate on an exclusive basis under the Technical Cooperation Agreement
Noteholder	means the person who is for the time being the registered holder of the Convertible Note
Parties	means the Company and the Subscriber and “Party” means any one of them
Share(s)	means ordinary shares of HK\$0.01 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 pari passu 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
Subscriber	means International Game Technology, a company incorporated in the State of Nevada, the United States of America
Subscriber Group	means the Subscriber, together with any of its subsidiaries or holding companies or any subsidiary of any such holding company
Subscription	means the subscription by the Subscriber for the Subscription Shares and the Convertible Note pursuant to and in accordance with the terms of the Subscription Agreement

Subscription Agreement	means the agreement dated 1 May 2007 between the Company and the Subscriber in respect of, among other things, (i) the allotment and issue of the Subscription Shares and (ii) the issue of the Convertible Note by the Company to the Subscriber
Subscription Shares	means the 93,400,000 new Shares representing approximately 5.0% of the enlarged issued share capital of the Company to be subscribed for in cash by the Subscriber pursuant to and in accordance with the terms of the Subscription Agreement
Takeovers Code	means the Hong Kong Code on Takeovers and Mergers of the Securities and Futures Commission
Technical Cooperation Agreement	means the technical cooperation agreement entered into between the Company and IGT on the date of the Subscription Agreement
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 of  
**China LotSynergy Holdings Limited**  
**Ng Lai Ping, Grace**  
*Company Secretary*

Hong Kong, 2 May 2007

*As at the date of this announcement, the board of Directors of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Hoong Cheong Thard, Mr. Wang Taoguang, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as Executive Directors and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.*

*This announcement, for which the Directors of the Company 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:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*