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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)**

## **PLACING OF EXISTING SHARES**

## **SUBSCRIPTION FOR NEW SHARES**

**AND**

## **RESUMPTION OF TRADING**

On 17 January 2006, the Placing Agent agreed to place, on a fully underwritten basis, an aggregate of 180,000,000 existing Shares at a price of HK\$3.675 per Share on behalf of the Vendors. On the same day, the Company entered into conditional agreements with the Vendors for the subscription of an aggregate of 180,000,000 new Shares at the same price per Share.

The Placing Shares represent approximately 12.59% of the existing issued share capital of the Company and approximately 11.18% of the issued share capital as enlarged by the Subscription. The total number of Placing Shares to be placed by the Vendors is 180,000,000 Shares (as to 70,000,000 Shares by Mr. Chan, as to 40,000,000 Shares by Mrs. Chan, and as to 70,000,000 Shares by Centrix). The Subscription is conditional upon the fulfillment of certain conditions as described below.

The net proceeds from the Subscription is approximately HK\$631,800,000. The intended use of the proceeds is to pay part of the consideration under the Corich Subscription Agreement and for the Company's general working capital.

Mr. Chan, Mrs. Chan, Burwill Holdings Limited, Hang Sing Overseas Limited and Strong Purpose Corporation are parties acting in concert within the meaning of the Takeovers Code. It is the view of Mr. Chan, Mrs. Chan, Burwill Holdings Limited, Hang Sing Overseas Limited and Strong Purpose Corporation that Centrix is not a party acting in concert with them under the Takeovers Code. Their collective shareholding in the Company is approximately 36.99% as at the date of this announcement. Immediately after the Placing but before the Subscription, their collective shareholding in the Company will be approximately 29.30%. Immediately after the Placing and the Subscription, their collective shareholding in the Company will be approximately 32.86%. Therefore, a general offer obligation will

be triggered under Rule 26 of the Takeovers Code on the part of Mr. Chan and Mrs. Chan and their respective concert parties. Application will be made to the Executive for a waiver from the obligation to make a general offer as a result of the Subscription under Note 6 on dispensations from Rule 26 of the Takeovers Code.

At the request of the Company, trading of Shares on the Stock Exchange was suspended from 9:30 a.m. on Tuesday, 17 January 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of Shares on the Stock Exchange from 9:30 a.m. on Wednesday, 18 January 2006.

## **PLACING AGREEMENTS DATED AS OF 17 JANUARY 2006**

### **Vendors:**

Mr. Chan, Mrs. Chan, and Centrix respectively.

### **Placing Agent:**

Deutsche Bank AG, Hong Kong Branch, which is and whose beneficial owners are not connected person and are independent of the Company and its connected persons (as defined in the GEM Listing Rules). The Placing Agent and their respective beneficial owners and parties acting in concert with them are not acting in concert with the Directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries, the Vendors or any of the respective associates of and parties acting in concert with any of them. The placing commission (inclusive of brokerage fee) is 4.36%, which was determined after arm's length negotiation, and the net placing price is HK\$3.51 per Placing Share. The Directors consider the placing commission fair and reasonable.

### **Number of existing Shares to be placed:**

The total number of Placing Shares to be placed by the Vendors is 180,000,000 Shares (as to 70,000,000 Shares by Mr. Chan, as to 40,000,000 Shares by Mrs. Chan, and as to 70,000,000 Shares by Centrix). The Placing Shares represent approximately 12.59% of the existing issued share capital of the Company and approximately 11.18% of the issued share capital of the Company as enlarged by the Subscription.

### **Placement to:**

More than six independent professional, institutional and/or personal investors.

The Placees, their respective beneficial owners and parties acting in concert with them are independent of, and not connected and not acting in concert with the Directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries, the Vendors or any of the respective associates of and parties acting in concert with any of them.

### **Placing Price:**

HK\$3.675 per Placing Share, which is equivalent to the Subscription Price. The aggregate value of the Placing is HK\$661,500,000. This price was agreed after arm's length negotiations and represents (i) a discount of approximately 3.29% to the closing price of HK\$3.80 per Share as quoted on the Stock Exchange on 16 January 2006, being the last trading day of the Shares immediately before and including the date of this announcement; and (ii) a premium of approximately 16.30% to the average closing price of HK\$3.16 per Share as quoted on the Stock Exchange for the last five trading days ended 16 January 2006.

**Rights:**

The Placing Shares were sold free from any lien, charge, encumbrance or third-party rights and together with all rights attaching thereto at the date of the Placing Agreements.

**Lock-up:**

Each of Mr. Chan and Mrs. Chan has undertaken to the Placing Agent that he/she shall not, without the prior written consent of the Placing Agent, directly or indirectly, and shall procure that none of its associates or companies controlled by him/her or any nominee or trustee holding in trust for him/her shall sell or dispose of any of the Shares in respect of which he/she is the beneficial owner (directly or indirectly) or any other securities convertible or exchangeable into Shares during the period commencing on the date of the respective Placing Agreements and ending on the date falling 90 days after the completion of the Placing.

**Completion of the Placing:**

Completion of the Placing is not subject to fulfillment of any condition and it is expected to take place on 20 January 2006 or such other date as agreed by the Vendors and the Placing Agent.

**SUBSCRIPTION AGREEMENTS DATED AS OF 17 JANUARY 2006****Subscribers:**

The Vendors.

**Number of Subscription Shares:**

180,000,000 Shares (as to 70,000,000 Shares by Mr. Chan, as to 40,000,000 Shares by Mrs. Chan, and as to 70,000,000 Shares by Centrix). The Subscription Shares represent approximately 12.59% of the existing issued share capital of the Company and approximately 11.18% of the issued share capital as enlarged by the Subscription.

**Subscription Price:**

HK\$3.675 per Subscription Share.

Upon completion of the Subscription, the Company shall reimburse the Subscribers the expenses properly incurred by it in connection with the Placing on a pro rata basis (including without limitation the fee payable to the Placing Agent, stamp duty, the SFC transaction levy, investor compensation levy, the Stock Exchange trading fee and special levy, printing and publishing costs and legal fees) after deducting, where applicable, interest accrued and received by the Subscribers (if any) on the net proceeds of the Placing during the period between completion of the Placing and completion of the Subscription.

In the event that completion of the Placing Agreements do not occur in accordance with their respective terms, the Company shall reimburse the Subscribers any legal fees and out-of-pocket expenses which the Subscribers shall be obliged to pay in connection with the Placing.

**Rights:**

The Subscription Shares will be allotted free from all liens, charges, security interests, encumbrances and adverse claims as at the date of completion of the Subscription. The Subscribers will receive all dividends and distributions declared after the date of completion of the Subscription.

**General Mandate to issue the Subscription Shares:**

The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 29 September 2005.

**Ranking of the Subscription Shares:**

The Subscription Shares shall, when fully paid, rank pari passu in all respects with the other Shares in issue on the date of allotment including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

**Conditions of the Subscription:**

The Subscription is conditional upon:

- (a) the Placing having occurred pursuant to the terms of the Placing Agreements;
- (b) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares;
- (c) if required, the granting of a waiver by the SFC from general offer obligations that might otherwise arise as a result of the Subscription; and
- (d) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares.

None of the above conditions may be waived by the parties to the Subscription Agreements.

Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

For the reasons stated in the paragraph under the table headed “Effects on Shareholding” below, an application will be made to the Executive for a waiver from the obligation to make a general offer as a result of the Subscription under Note 6 on dispensations from Rule 26 of the Takeovers Code.

**Completion of the Subscription:**

The Subscription must be completed on or before 30 January 2006, being 13 days from the date of the Subscription Agreements or such other date as the parties may agree and permitted by the Stock Exchange.

**UNDERTAKING GIVEN BY THE COMPANY**

In consideration of the Placing Agent undertaking the obligations contemplated under the Placing Agreements and the Subscribers undertaking the transactions contemplated under the Subscription Agreements, the Company has undertaken to the Placing Agent that it will not within 30 days from 17 January 2006 issue or agree to issue any further shares or securities convertible into equity securities of the Company save as (i) pursuant to the Corich Subscription Agreement; or (ii) in relation to the Octavian Acquisition; or (iii) pursuant to the Subscription Agreements; or (iv) upon the exercise of the options granted or to be granted under the share option scheme adopted by the Company on 30 July 2002.

## EFFECTS ON SHAREHOLDING

The Shareholding of the Vendors and their concert parties before and after the Placing and the Subscription are and will be as follows respectively:

| Shareholders                                       | Shareholding in<br>the Company<br>before the<br>Placing and the<br>Subscription | Shareholding in<br>the Company<br>after the Placing<br>but before<br>the Subscription | Shareholding in<br>the Company<br>after the<br>Placing and the<br>Subscription | Shareholding in<br>the Company<br>after the<br>Placing and the<br>Subscription and<br>assuming all<br>the consideration<br>shares are<br>issued under<br>the Corich<br>Subscription<br>Agreement | Shareholding in<br>the Company<br>after the<br>Placing and<br>the Subscription<br>and assuming all<br>the consideration<br>shares are<br>issued under<br>the Corich<br>Subscription<br>Agreement and<br>the Octavian<br>Acquisition |
|--|---|---|--|--|---|
| Mr. Chan   | 72,951,773<br>5.10%   | 2,951,773<br>0.21%  | 72,951,773<br>4.53%  | 72,951,773<br>4.03%  | 72,951,773<br>3.90%   |
| Mrs. Chan  | 50,288,803<br>3.52%   | 10,288,803<br>0.72%   | 50,288,803<br>3.12%  | 50,288,803<br>2.78%  | 50,288,803<br>2.69%   |
| Burwill Holdings<br>Limited ( <i>Note 1</i> )      | 383,831,074<br>26.84%   | 383,831,074<br>26.84%   | 383,831,074<br>23.84%  | 383,831,074<br>21.21%  | 383,831,074<br>20.52%   |
| Hang Sing<br>Overseas Limited<br>( <i>Note 2</i> ) | 11,320,192<br>0.79%   | 11,320,192<br>0.79%   | 11,320,192<br>0.71%  | 11,320,192<br>0.62%  | 11,320,192<br>0.61%   |
| Strong Purpose<br>Corporation<br>( <i>Note 3</i> ) | 10,595,042<br>0.74%   | 10,595,042<br>0.74%   | 10,595,042<br>0.66%  | 10,595,042<br>0.59%  | 10,595,042<br>0.57%   |
| Sub-total:   | 528,986,884<br>36.99%   | 418,986,884<br>29.30%   | 528,986,884<br>32.86%  | 528,986,884<br>29.23%  | 528,986,884<br>28.29%   |

| Shareholders  | Shareholding in the Company before the Placing and the Subscription |             | Shareholding in the Company after the Placing and the Subscription |             | Shareholding in the Company after the Placing and the Subscription and assuming all the consideration shares are issued under the Corich Subscription Agreement | Shareholding in the Company after the Placing and the Subscription and assuming all the consideration shares are issued under the Corich Subscription Agreement and the Octavian Acquisition |
|---|---|-------------|--|-------------|---|--|
|   | Number of Shares  | Percentage  | Number of Shares   | Percentage  | Number of Shares  | Percentage   |
| Centrix<br>(Note 4)   | 70,000,000  | 4.90%       | 0  | 0%          | 70,000,000  | 3.87%  |
| Corich International Limited or Toward Plan Investments Limited and Win Key Development Limited | 0   | 0%          | 0  | 0%          | 200,000,000   | 10.69%   |
| The vendor in the Octavian Acquisition  | 0   | 0%          | 0  | 0%          | 0   | 3.21%  |
| Other non-public Shareholders (Note 5)  | 54,415,360  | 3.80%       | 54,415,360   | 3.80%       | 54,415,360  | 2.91%  |
| Public Shareholders   |   |             |  |             |   |  |
| i. Existing Shareholders  | 776,597,756   | 54.31%      | 776,597,756  | 54.31%      | 776,597,756   | 41.53%   |
| ii. The Placees   | 0   | 0%          | 180,000,000  | 12.59%      | 180,000,000   | 9.63%  |
|   |   |             |  |             | (Note 6)  | (Note 6)   |
| <b>Total</b>  | <b>1,430,000,000</b>  | <b>100%</b> | <b>1,430,000,000</b>   | <b>100%</b> | <b>1,810,000,000</b>  | <b>100%</b>  |

*Notes:*

- (1) 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, as to 20.53% by Strong Purpose Corporation, as to 1.26% by Mr. Chan and as to 2.11% by Mrs. Chan.
- (2) Hang Sing Overseas Limited is owned as to 51% by Orient Strength Limited, a company which is wholly-owned by Mr. Chan and Mrs. Chan. 49% of the issued share capital of Hang Sing Overseas Limited is owned by Superior Quality Assets Limited, a company which is wholly-owned by Zhong Shan Company Limited. Zhong Shan Company Limited is wholly-owned by the Jiangsu Provincial People's Government of the People's Republic of China.
- (3) Strong Purpose Corporation is wholly owned by Mr. Chan and Mrs. Chan.
- (4) Centrix is wholly owned by Mr. Yu Man Yiu, Park. Mr. Yu had agreed to enter into the placing and top-up transaction of the Company in August 2005 and this transaction separately purely based on an arm's length negotiation basis. It is the view of Centrix that it is not a party acting in concert with Mr. Chan, Mrs. Chan, Burwill Holdings Limited, Hang Sing Overseas Limited or Strong Purpose Corporation under the Takeovers Code.
- (5) The interests held by other non-public Shareholders in the share capital of the Company consist of the interests held by Mr. Yu Man Yiu, Park, a substantial shareholder of the Company, and the Directors other than Mrs. Chan.
- (6) Assuming the Places have not sold, transferred or disposed of the relevant Placing Shares.

Mr. Chan, Mrs. Chan, Burwill Holdings Limited, Hang Sing Overseas Limited and Strong Purpose Corporation are parties acting in concert within the meaning of the Takeovers Code. It is the view of Mr. Chan, Mrs. Chan, Burwill Holdings Limited, Hang Sing Overseas Limited and Strong Purpose Corporation that Centrix is not a party acting in concert with them under the Takeovers Code. Their collective shareholding in the Company is approximately 36.99% as at the date of this announcement. Immediately after the Placing but before the Subscription, their collective shareholding in the Company will be approximately 29.30%. Immediately after the Placing and the Subscription, their collective shareholding in the Company will be approximately 32.86%. Therefore, a general offer obligation will be triggered under Rule 26 of the Takeovers Code on the part of Mr. Chan and Mrs. Chan and their respective concert parties. Application will be made to the Executive for a waiver from the obligation to make a general offer as a result of the Subscription under Note 6 on dispensations from Rule 26 of the Takeovers Code.

## **REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

The net proceeds from the Subscription is approximately HK\$631,800,000. The Company intends to use approximately HK\$470,000,000 to pay the consideration under the Corich Subscription Agreement, and the remaining balance will be used for the Company's general working capital.

The Directors believe that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

## **GENERAL INFORMATION**

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

Fund raising in the 12 months immediately preceding the date of the Placing Agreements and the Subscription Agreements:

| <b>Date of announcement</b> | <b>Event</b>  | <b>Net proceeds</b> | <b>Intended use of net proceeds</b>   | <b>Actual use of net proceeds as at the date of this announcement</b>   |
|-----------------------------|---|---------------------|---|---|
| 7 March 2005                | Issue of 200,000,000 new Shares                           | HK\$5.1 million     | General working capital   | General working capital   |
| 9 August 2005               | Placing of existing Shares and subscription of new Shares | HK\$271 million     | (i) pay up the capital commitment of Tabcorp International Hong Kong Limited, a joint venture established by the Group and Tabcorp Holdings Limited;<br>(ii) investing in other relevant business opportunities that may arise in the future; and<br>(iii) general working capital. | (i) investing in other relevant business opportunities that may arise in the future; and<br>(ii) general working capital. |

At the request of the Company, trading of the Shares on the Stock Exchange was suspended from 9:30 a.m. on Tuesday, 17 January 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the Shares from 9:30 a.m. on Wednesday, 18 January 2006.

As at the date of this announcement, the Board comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as Executive Directors and Mr. King Roger, Mr. Huang Shenglan and Mr. Li Xiaojun as Independent Non-Executive Directors.

## **DEFINITIONS**

|             |  |
|-------------|--|
| “associate” | has the meaning as defined in the GEM Listing Rules;   |
| “Centrix”   | Centrix Investments Limited, a company incorporated in the British Virgin Islands, whose registered address is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands; |
| “Company”   | China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM;  |



|                                 |   |
|---------------------------------|---|
| “Corich Subscription Agreement” | the subscription agreement amongst the Company, China LotSynergy Group Limited, Corich International Limited, Toward Plan Investments Limited and Win Key Development Limited dated 9 January 2006 as disclosed in the announcement of the Company dated 16 January 2006;           |
| “Directors”                     | the directors of the Company;   |
| “Executive”                     | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;  |
| “GEM”                           | the Growth Enterprise Market of the Stock Exchange;   |
| “GEM Listing Committee”         | the listing sub-committee of the board of the Stock Exchange with responsibility for GEM;   |
| “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;  |
| “Mr. Chan”                      | Chan Shing, the spouse of Mrs. Chan, a substantial shareholder of the Company, who has a personal interest of approximately 5.10%, a family interest of approximately 3.52% and corporate interests of approximately 28.37% in the issued share capital of the Company;             |
| “Mrs. Chan”                     | Lau Ting, the spouse of Mr. Chan, a substantial shareholder of the Company and a Director, who has a personal interest of approximately 3.52%, a family interest of approximately 5.10% and corporate interests of approximately 28.37% in the issued share capital of the Company; |
| “Octavian Acquisition”          | the proposed acquisition of certain shares in Octavian International Limited, the details of which are set out in the announcement of the Company dated 11 January 2006;  |
| “Placing”                       | a placing of 180,000,000 Shares by the Vendors;   |
| “Placees”                       | more than six independent professional, institutional and/or personal investors;  |
| “Placing Agent”                 | Deutsche Bank AG, Hong Kong Branch;   |
| “Placing Agreements”            | the three agreements all dated as of 17 January 2006, made between the Placing Agent and each of Mr. Chan, Mrs. Chan, and Centrix respectively, in relation to the Placing;   |
| “Placing Shares”                | 180,000,000 Shares from the Vendors;  |

|                           |   |
|---------------------------|---|
| “SFC”                     | the Securities and Futures Commission;  |
| “Shareholders”            | shareholders of the Company;  |
| “Shares”                  | ordinary share(s) of HK\$0.01 each in the capital of the Company;   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited;  |
| “Subscribers”             | Mr. Chan, Mrs. Chan, and Centrix;   |
| “Subscription”            | the subscription of 180,000,000 Shares by the Subscribers at the Subscription Price;  |
| “Subscription Agreements” | the three agreements all dated as of 17 January 2006 made between the Company and each of Mr. Chan, Mrs. Chan, and Centrix in relation to the Subscription; |
| “Subscription Price”      | HK\$3.675 per Subscription Share;   |
| “Subscription Shares”     | 180,000,000 new Shares to be issued pursuant to the Subscription;   |
| “Takeovers Code”          | The Code on Takeovers and Mergers of Hong Kong; and   |
| “Vendors”                 | Mr. Chan, Mrs. Chan, and Centrix.   |

By Order of the Board  
**China LotSynergy Holdings Limited**  
**Ng Lai Ping, Grace**  
*Company Secretary*

Hong Kong, 17 January 2006

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: – (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.*

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