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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)

**PROPOSED ISSUE OF
HK\$580,000,000 5% CONVERTIBLE BONDS DUE 2019
(WITH AN OPTION FOR THE ISSUE OF AN ADDITIONAL OF
UP TO HK\$200,000,000 5% CONVERTIBLE BONDS DUE 2019)**



as Joint Bookrunners



as Joint Lead Managers

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Joint Lead Managers, under which, among other things, (i) the Company has agreed to issue and the Joint Lead Managers have agreed severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds, in an aggregate principal amount of HK\$580,000,000; and (ii) the Company has agreed to grant the Joint Bookrunners an option to require the Company to issue the Option Bonds of up to an aggregate principal amount of HK\$200,000,000, on the terms and subject to the conditions set out therein and summarised below. The Joint Bookrunners have not exercised the option to subscribe for any of the Option Bonds as at the date of this announcement. If the option to subscribe for Option Bonds is exercised by the Joint Bookrunners in full, the maximum aggregate principal amount of the Bonds to be issued will be HK\$780,000,000.

The Bonds in the aggregate principal amount of HK\$200,000,000 has been allocated to an investment vehicle of CCB International (Holdings) Limited (among other initial placees).

Assuming full conversion of the Firm Bonds (excluding the Option Bonds) at the initial Conversion Price of HK\$0.93 per Share and no further issue of Shares, the Firm Bonds will be convertible into approximately 623,655,913 Shares, representing approximately 8.1% of the issued share capital of the Company as at the date of this announcement and approximately 7.5% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Firm Bonds. Assuming full conversion of the Bonds (including the Option Bonds) at the initial Conversion Price of HK\$0.93 per Share and no further issue of Shares, the Bonds will be convertible into approximately 838,709,677 Shares, representing approximately 11.0% of the issued share capital of the Company as at the date of this announcement and approximately 9.9% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The Conversion Shares to be issued upon conversion of the Bonds will be fully paid and in all respects rank *pari passu* with the Shares in issue on the relevant Conversion Date.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

The Bonds and the Conversion Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on the US Securities Act.

The gross proceeds from the subscription of the Bonds will be approximately HK\$580 million (assuming no Option Bonds are issued) to approximately HK\$780 million (assuming the Option Bonds are issued in full). The net proceeds from the subscription of the Bonds after deduction of commissions and other related expenses are estimated to be approximately HK\$565.5 million (assuming no Option Bonds are issued) to approximately HK\$760.5 million (assuming the Option Bonds are issued in full), which will be used for financing working capital and general corporate purpose.

The Conversion Shares are to be issued under the General Mandate. The issue of the Bonds is not subject to the approval of the Shareholders.

A formal application will be made by the Company to the Stock Exchange for the listing of the Bonds on the Stock Exchange and an application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” below for further information.

WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Joint Lead Managers, under which, among other things, (i) the Company has agreed to issue, and the Joint Lead Managers have agreed severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds, in an aggregate principal amount of HK\$580,000,000; and (ii) the Company has agreed to grant the Joint Bookrunners an option to require the Company to issue

the Option Bonds of up to an aggregate principal amount of HK\$200,000,000, on the terms and subject to the conditions set out therein and summarised below. The Joint Bookrunners have not exercised the option to subscribe for any of the Option Bonds as at the date of this announcement. If the option to subscribe for Option Bonds is exercised by the Joint Bookrunners in full, the maximum aggregate principal amount of the Bonds to be issued will be HK\$780,000,000.

THE SUBSCRIPTION AGREEMENT

Date:

8 April 2014

Parties:

- (a) the Company as issuer;
- (b) Barclays and CS as Joint Bookrunners; and
- (c) Barclays, CS and CCBI as Joint Lead Managers.

Subscription:

Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedents to the Subscription”, the Company has agreed to issue, and the Joint Lead Managers have agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds on the Closing Date in an aggregate principal amount of HK\$580,000,000.

In addition, the Company has agreed to grant the Joint Bookrunners an option to subscribe for all or any of the Option Bonds of up to an aggregate principal amount of HK\$200,000,000 at any time, on or before the 30th date following the Closing Date, on the terms and subject to the conditions of the Subscription Agreement. Such option shall be exercisable, in whole or in part, on one or more occasions, solely at the discretion of the Joint Bookrunners, by written notice to the Company at least three business days before the Option Closing Date. If the Option Closing Date falls on the same day as the Closing Date, the Joint Bookrunners shall pay the net subscription monies for the Firm Bonds and the Option Bonds on the Closing Date. If the Option Closing Date falls on a day after the Closing Date, the Joint Bookrunners shall pay the net subscription monies, being the aggregate amount payable for the Option Bonds calculated at the Issue Price less any applicable commission and concession on such Option Closing Date. The Joint Bookrunners have not exercised the option to subscribe for any of the Option Bonds as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, the Joint Lead Managers and the Joint Bookrunners are third parties independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Subscribers

The Bonds have been offered and sold to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, none of the initial placees of the Bonds will be connected persons (as defined in the Listing Rules) of the Company.

The Joint Bookrunners (or any persons acting on their behalf), as stabilising managers, may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds, and/or the Shares at a level higher than that which might otherwise prevail, but in doing so the Joint Bookrunners (or person acting on their behalf) shall act as principal and not as agent of the Company and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Joint Bookrunners in the manner agreed by them. The Joint Bookrunners acknowledge the Company has not authorised the issue of the Bonds in a principal amount exceeding HK\$780,000,000 (being the maximum total principal amount of the Firm Bonds and the Option Bonds). There is no obligation on the Joint Bookrunners to engage in over-allotment or stabilisation.

The Bonds in the aggregate principal amount of HK\$200,000,000 has been allocated to an investment vehicle of CCB International (Holdings) Limited (among other initial placees). CCB International (Holdings) Limited is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of China Construction Bank Corporation. CCB International (Holdings) Limited, through its investment subsidiaries, has invested in a number of pre-IPO projects in the PRC and Hong Kong as well as Hong Kong listed companies, covering such sectors as healthcare, energy and resources, infrastructure, consumer retails, media and real estate.

Lock-up

The Company has undertaken with the Joint Bookrunners that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class

as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Bookrunners between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (or (if later) the Option Closing Date) (both dates inclusive); except for (i) the Bonds and the Conversion Shares issued on conversion of the Bonds; (ii) the Shares and options issued upon the exercise of the rights under the Company's publicly disclosed share option scheme; and (iii) any placing of new equity or equity-linked securities of the Company to strategic investors by way of private placements only.

In addition, the Company has procured Ms. Lau Ting and Mr. Chan Shing to execute, and Ms. Lau Ting and Mr. Chan Shing have each executed, a shareholder lock-up undertaking that for a period from the date of the Subscription Agreement until 90 days from the Closing Date, neither he/she nor his/her nominee nor any person acting on his/her behalf will without the prior written approval of the Joint Bookrunners and except pursuant to certain securities lending arrangements between Ms. Lau Ting, a director and substantial shareholder of the Company, and Barclays Bank PLC in respect of 229 million Shares (i) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any of the relevant Shares held by such Shareholders (the “**Relevant Shares**”) or securities of the same class as the Relevant Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Relevant Shares or securities of the same class as the Relevant Shares or other instruments representing interests in the Relevant Shares or other securities of the same class as them, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Relevant Shares, (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Relevant Shares or other securities, in cash or otherwise or (iv) announce or otherwise make public an intention to do any of the foregoing.

Conditions Precedent to the Subscription

The obligations of the Joint Lead Managers (in the case of the Firm Bonds) and the Joint Bookrunners (in the case of the Option Bonds) to severally subscribe and pay for the Bonds are subject to the following conditions precedent:

1. the Joint Lead Managers (in the case of the Firm Bonds) and the Joint Bookrunners (in the case of any Option Bonds) being satisfied with the results of due diligence investigations with respect to the Company and other members of the Group;
2. the Company has prepared and delivered to the Joint Bookrunners on or before the date falling three business days prior to the Closing Date, or such later date as may be agreed between the Company and the Joint Bookrunners, the Offering Circular, in form and substance satisfactory to the Joint Bookrunners;
3. the execution and delivery (on or before the Closing Date) of the other Contracts, each in a form reasonably satisfactory to the Joint Bookrunners, by the respective parties;
4. the execution on the date of the Subscription Agreement of the agreement by Ms. Lau Ting authorising Barclays to issue equity linked certificates to Ms. Lau Ting and such agreement shall be, as at the Closing Date and the Option Closing Date (if any), in full force and effect;
5. Ms. Lau Ting and Mr. Chan Shing shall have executed lock-up agreements (in agreed form) on or before the Closing Date;
6. the Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Joint Bookrunners, to list the Bonds and the Conversion Shares upon conversion of the Bonds (or, in each case, the Joint Bookrunners being reasonably satisfied that such listing will be granted);
7. upon the publication date of the Offering Circular and on the Closing Date and Option Closing date (if any), there shall have been delivered to the Joint Bookrunners or the Joint Lead Managers (as the case may be) letters, dated the publication date of the Offering Circular, in the case of the first letter and dated the Closing Date (or the Option Closing Date as the case may be), in the case of subsequent letter(s), and addressed to the Company from the Auditors, in a form satisfactory to the Joint Bookrunners or the Joint Lead Managers (as the case may be);

8. on or prior to the Closing Date and the Option Closing Date (if any), there shall have been delivered to the Joint Bookrunners or the Joint Lead Managers (as the case may be), in a form satisfactory to the Joint Bookrunners, legal opinions, dated the Closing Date, and copies of all consents and approvals and resolutions, authorities and documents relating to the issue of the Bonds, as the Joint Bookrunners or the Joint Lead Managers (as the case may be) may reasonably require;
9. at the Closing Date and the Option Closing Date (if any):
 - (a) the representations and warranties of the Company in the Subscription Agreement shall be true, accurate and correct in all respects at, and as if made on such date;
 - (b) the Company shall have performed all of its obligations under the Subscription Agreement expressed to be performed on or before such date;
 - (c) there has been delivered to the Joint Bookrunners or the Joint Lead Managers (as the case may be) a certificate (in agreed form), dated as of such date, of a duly authorised officer of the Company to such effect;
 - (d) there has been delivered to the Joint Bookrunners or the Joint Lead Managers (as the case may be) a certificate (in agreed form), dated as of such date, of the chief financial officer of the Company to such effect;
10. after the date of the Subscription Agreement or, if earlier, the dates as of which information is given in the Offering Circular up to and at the Closing Date and the Option Closing Date (if any), there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group, which, in the opinion of the Joint Bookrunners or the Joint Lead Managers (as the case may be), is material and adverse in the context of the issue and offering of the Bonds; and
11. on or prior to the Closing Date, there shall have been delivered to the Joint Lead Managers copies of all consents and approvals required in relation to the issue of the Bonds and the performance of its obligations under the Trust Deed, the Agency Agreement and the Bonds (including the consents and approvals required from all lenders) and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Joint Lead Managers may reasonably require.

The Joint Bookrunners or the Joint Lead Managers (as the case may be) may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above conditions precedents (other than conditions (1) and (2) above). The above conditions precedent must be satisfied and/or (as the case may be) waived on or prior to the Closing Date or the Option Closing Date, as the case may be.

Termination of the Subscription

The Joint Lead Managers (in the case of the Firm Bonds) and Joint Bookrunners (in the case of the Option Bonds) may, by notice to the Company given at any time prior to payment of the net subscription monies for the Firm Bonds or the Option Bonds (if any) to the Company, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Joint Bookrunners or the Joint Lead Managers (as the case may be) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Subscription Agreement;
2. if any of the conditions specified in the paragraph headed “Conditions Precedent to the Subscription” have not been satisfied or waived by the Joint Bookrunners or the Joint Lead Managers (as the case may be) on or prior to the Closing Date or the Option Closing Date, as the case may be;
3. if in the opinion of the Joint Bookrunners or the Joint Lead Managers (as the case may be), there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in their view, be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if, in the opinion of the Joint Bookrunners or the Joint Lead Managers (as the case may be), there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, and/or the Stock

Exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange on which the Company's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Bonds and the Conversion Shares to be issued upon conversion of the Bonds or the transfer thereof; or

5. if, in the opinion of the Joint Bookrunners or the Joint Lead Managers (as the case may be), there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

<i>Issuer</i>	The Company
<i>Principal Amount</i>	Firm Bonds in the principal amount of HK\$580,000,000, with an option to subscribe all or some of the Option Bonds up to an additional aggregate amount of HK\$200,000,000. The Joint Bookrunners have not exercised the option to subscribe for any of the Option Bonds as at the date of this announcement. If the option to subscribe for Option Bonds is exercised by the Joint Bookrunners in full, the maximum aggregate principal amount of the Bonds to be issued will be HK\$780,000,000.
<i>Maturity Date</i>	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 17 April 2019

<i>Issue Price</i>	100% of the principal amount
<i>Interest</i>	<p>5 per cent. per annum of the principal amount of the Bonds, payable semi-annually in arrear on 17 April and 17 October in each year commencing on 17 October 2014, subject to adjustment for non-business day(s).</p> <p>Interest in respect of any Bonds shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Calculation Amount, the relevant annual rate of interest and the actual number of days elapsed divided by 365 for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).</p> <p>Where a Bond is redeemed or repaid pursuant to the Conditions and the payment of principal is improperly withheld or refused, it will continue to bear interest at two per cent. per annum above (both before and after judgment) the interest rate up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of such Bond are received by or on behalf of the relevant holder, and (b) the day which is seven days after the Principal Agent or the Trustee has notified Bondholders that it has received all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is a subsequent default in payment to the relevant holders under these Conditions).</p>
<i>Conversion</i>	<p>Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholders, at any time on or after 28 May 2014 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive) (but, except as provided in the Condition, in no event thereafter) or, (a) if such Bond shall have been called for redemption by the Company before the</p>

Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof or (b) in respect of a Bond where the holder shall have exercised its right to require the Company to redeem such Bonds pursuant to the Conditions, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

The number of Conversion Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date.

Conversion Price

The price at which Conversion Shares will be issued upon conversion will initially be HK\$0.93 per Conversion Share. The initial Conversion Price of HK\$0.93 represents: (i) a premium of approximately 22.4% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 19.2% over the average closing price of HK\$0.78 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 24.0% over the average closing price of HK\$0.75 per Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day. The initial Conversion Price is determined by the parties after arm's length negotiations with reference to the recent share price and future prospects of the Group.

The Conversion Price is subject to adjustment for, amongst other things, consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distributions in excess of 0.3% of prevailing market capitalisation of the Company, rights issues of Shares or options over Shares at less than 95% of the then current market price, rights issues of other securities, issues of Shares or option over Shares at less

than 95% of the then current market price, other issues at less than 95% of the then current market price, modification of rights of conversion price of securities to less than 95% of the then current market price, other offers to Shareholders and other dilutive events, subject to certain exceptions. The Conversion Price may not be reduced so that, on conversion of the Bonds, Conversion Shares would fall to be issued at a discount to their nominal value or would require shares to be issued in any other circumstances not permitted by applicable law.

*Adjustment upon
Change of Control*

If a Change of Control shall occur, the Company shall give notice of that fact to the Bondholders within 7 days after it becomes aware of such Change of Control. Following the giving of a Change of Control notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times c/t)}$$

where:

“NCP” means the new Conversion Price;

“OCP” means the Conversion Price in effect on the relevant conversion date;

“CP” means the conversion premium of 22.37 per cent. expressed as a fraction;

“c” means the number of days from and including the first day of the Change of Control Conversion Period to but excluding the Maturity Date; and

“t” means the number of days from and including the Closing Date to but excluding the Maturity Date.

provided that the Conversion Price shall not be reduced below the level permitted by applicable laws and regulations from time to time (if any).

*Ranking of Conversion
Shares*

The Conversion Shares to be issued upon conversion of the Bonds will be fully paid and in all respects rank *pari passu* with the Shares in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.

Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Bonds at principal amount together with any accrued but unpaid interest on the Maturity Date. The Company may not redeem the Bonds at its option prior to that date except as provided below.

*Redemption at the
option of the
Company*

The Company may, having given not less than 30 nor more than 60 days' notice in writing to, *inter alios*, the Bondholders and the Trustee, redeem the Bonds at their principal amount together with any interest accrued but unpaid to such date (i) at any time after 1 May 2017 but not less than seven business days prior to the Maturity Date, in whole or in part, provided that the closing price of a Share for any 20 out of the 30 consecutive trading days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect on such trading day; or (ii) at any time if, immediately prior to the date of the relevant notice is given, in whole but not in part, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued

Redemption for taxation reasons

At any time the Company may, having given not less than 30 nor more than 60 days' notice to, *inter alios*, the Bondholders (which notice will be irrevocable) redeem the Bonds in whole but not in part at the principal amount as at such date together with interest accrued to such date (if any), if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay additional tax as a result of any change in, or amendment to, the laws or regulations of Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 April 2014, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax were a payment in respect of the Bonds then due.

Redemption for delisting, suspension of trading, Change of Control or change in law

Each Bondholder shall have the right to require the Company to redeem all or some only of such Bondholder's Bonds at the principal amount together with interest accrued to such date (if any) when the following occurs: (i) when the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 20 consecutive trading days on a relevant stock exchange; or (ii) when there is a Change of Control.

Redemption at the option of the Bondholders

The Company will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 17 April 2017, at the principal amount of the Bonds together with interest accrued to such date (if any).

Transferability

The Bonds will be freely transferable, subject to certain restricted transfer periods.

*Form and
Denomination*

The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

Upon issue, the Bonds will be initially represented by a global certificate deposited with a common depositary for, and representing the Convertible Bonds registered in the name of a nominee of Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.

Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provision relating to the negative pledge) unsecured obligations of the Company and the Bonds shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to the provision relating to the negative pledge, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its subsidiaries will, create, or permit to subsist, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the outstanding Bonds are forwith secured by the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or such other security as either (x) the Trustee may in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The issue of the Bonds and the Conversion Shares is not subject to Shareholders' approval. The Conversion Shares will be issued pursuant to the General Mandate, subject to the limit of up to 1,492,294,564 Shares (representing 20% of the issued share capital of the Company on the date on which the General Mandate was granted). As at the date of this announcement, the General Mandate has not been utilised. Assuming full conversion of the Bonds (including the Option Bonds), the Conversion Shares will utilise a maximum of, based on the initial Conversion Price, approximately 838,709,677 Shares under the General Mandate.

APPLICATION FOR LISTING

A formal application will be made by the Company to the Stock Exchange for the listing of the Bonds on the Stock Exchange and an application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed "THE SUBSCRIPTION AGREEMENT" above for further information.

WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/ or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SECURITIES LENDING ARRANGEMENT

Concurrently with the execution of the Subscription Agreement, Ms. Lau Ting, a director and substantial shareholder of the Company, has agreed to enter into certain arrangements with Barclays Bank PLC to allow the Joint Bookrunners to provide stock lending of up to 229,000,000 Shares in aggregate to the Bondholders.

The maximum of 229,000,000 Shares subject to such arrangements represent (i) approximately 27.3% of the Shares into which the aggregate number of Bonds (assuming the Option Bonds are issued in full) may be converted based on the initial Conversion Price; and (ii) approximately 36.7% of the Shares into which the aggregate number of Firm Bonds (assuming that no Option Bonds are issued at all) may be converted based on the initial Conversion Price.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the provision of technology and service for lottery systems, terminal equipment, gaming products and their operations in the PRC'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.

The gross proceeds from the subscription of the Bonds will be approximately HK\$580 million (assuming no Option Bonds are issued) to approximately HK\$780 million (assuming the Option Bonds are issued in full). The net proceeds from the subscription of the Bonds after deduction of commissions and other related expenses are estimated to be approximately HK\$565.5 million (assuming no Option Bonds are issued) to approximately HK\$760.5 million (assuming the Option Bonds are issued in full), which will be used for financing working capital and general corporate purpose. The net price for each Conversion Share (irrespective of whether the Option Bonds are issued in full or not issued at all), based on the initial Conversion Price, is approximately HK\$0.907.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any issue of equity securities during the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

Assuming full conversion of the Firm Bonds (excluding the Option Bonds) at the initial Conversion Price of HK\$0.93 per Share and no further issue of Shares, the Firm Bonds will be convertible into approximately 623,655,913 Shares, representing approximately 8.1% of the issued share capital of the Company as at the date of this announcement and approximately 7.5% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Firm Bonds. Assuming full conversion of the Bonds (including the Option Bonds) at the initial Conversion Price of HK\$0.93 per Share and no further issue of Shares, the Bonds will be convertible into approximately 838,709,677 Shares, representing approximately 11.0% of the issued share capital of the Company as at the date of this announcement and approximately 9.9% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The Conversion Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the Subscription (by reference to the information on shareholdings available to the Company as at the date of this announcement and assuming full conversion of the Bonds and no further issue of Shares):

Name of Shareholders	As at the date of this announcement		Assuming the Firm Bonds (excluding the Option Bonds) are converted into Conversion Shares at the initial Conversion Price		Assuming the Bonds (including Option Bonds) are fully converted into Conversion Shares at the initial Conversion Price	
	Number of Shares	% of total issued Shares	Number of Shares	% of the enlarged issued Shares	Number of Shares	% of the enlarged issued Shares
Lau Ting and Chan Shing <i>(Note 2)</i>	1,373,723,747	17.9	1,373,723,747	16.6	1,373,723,747	16.2
Non-public Shareholders <i>(Note 3)</i>	87,600,000	1.1	87,600,000	1.1	87,600,000	1.0
Public Shareholders:						
Subscribers	—	—	623,655,913	7.5	838,709,677	9.9
Other public Shareholders	<u>6,197,399,073</u>	<u>80.9</u>	<u>6,197,399,073</u>	<u>74.8</u>	<u>6,197,399,073</u>	<u>72.9</u>
Total issued Shares <i>(Note 4)</i>	<u>7,658,722,820</u>	100.0	8,282,378,733	100.0	<u>8,497,432,497</u>	100.0

Note:

- 1) The above shareholding excludes the outstanding share options granted.
- 2) 263,474,373 Shares were owned by Ms. LAU Ting. 242,486,426 Shares were owned by Mr. CHAN Shing. 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. 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.
- 3) The Shares held by non-public Shareholders consist of the Shares held by Directors other than Ms. LAU Ting.
- 4) The above percentages may not add up to 100.0% due to rounding.

DEFINITIONS

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

“Affiliate”	affiliates of any specified Person means any other Person, directly or indirectly, Controlling or Controlled by or under direct or indirect common Control with such specified Person.
“Agency Agreement”	the paying, conversion and transfer agency agreement to be entered into between the Company, the Trustee and the agents named therein
“Auditor”	HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the external auditor of the Company
“Barclays”	Barclays Bank PLC, one of the joint bookrunners and joint lead managers relating to the Bonds
“Board”	the board of Directors
“Bonds” or “Convertible Bonds”	the Firm Bonds and the Option Bonds
“Bondholders”	holder(s) of the Bond(s) from time to time
“CCBI”	CCB International Capital Limited, one of the joint lead managers relating to the Firm Bonds
“CS”	Credit Suisse (Hong Kong) Limited, one of the joint bookrunners and joint lead managers relating to the Bonds
“Change of Control”	occurs when: (i) any person or persons, other than Ms. Lau Ting or any of her Affiliates, executors, administrators or successors, acting together acquires Control of the Company; or

(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person or persons acting together, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity.

“Closing Date”	17 April 2014 or such other date (not being later than 1 May 2014) on which the Firm Bonds are issued.
“Company”	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1371)
“Conditions”	the terms and conditions in relation to the Bonds
“Contracts”	the Subscription Agreement, the Agency Agreement and the Trust Deed
“Control”	means (a) the beneficial ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise
“Conversion Date”	the conversion date in respect of the Bonds
“Conversion Price”	the price per Share at which the Shares will be issued upon conversion and the initial conversion price being HK\$0.93 per Conversion Share (subject to adjustment)
“Conversion Shares”	the Share(s) to be issued by the Company upon conversion of the Bonds.
“Director(s)”	director(s) of the Company
“Firm Bonds”	convertible bonds with an initial aggregate principal amount of HK\$580,000,000 due 2019 to be issued by the Company pursuant to the Subscription Agreement

“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the general meeting of the Company held on 14 May 2013
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Issue Price”	100% of the principal amount
“Joint Bookrunners”	Barclays and CS
“Joint Lead Managers”	Barclays, CS and CCBI
“Last Trading Day”	8 April 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	17 April 2019, being the date on which the Convertible Bonds mature
“Offering Circular”	the circular which the Company shall use for issue of the Bonds and the listing of the Bonds on the Stock Exchange
“Option Bonds”	the additional Convertible Bonds to be issued by the Company upon the exercise of an option granted by the Company to the Joint Bookrunners
“Option Closing Date”	the date the Option Bonds are to be issued by the Company against payment for the Option Bonds
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s board of directors or any other governing board and does not include the Company’s wholly-owned direct or indirect subsidiaries

“Principal Agent”	Deutsche Bank AG, Hong Kong Branch
“Relevant Indebtedness”	any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money and which are, or are intended to be or capable of being, quoted, listed, dealt in or traded on any stock exchange or on any over-the-counter or other securities market (whether or not initially distributed by way of private placement) and for the avoidance of doubt, shall not include indebtedness under any bi-lateral loan, non transferable loan or loan facility or transferable loan or loan facility entered into with any financial institution.
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholder(s)”	holders of the Shares
“Share(s)”	share(s) of HK\$0.0025 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription and issue of the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement dated 8 April 2014 entered into between the Company and the Joint Lead Managers in relation to, among other things, the Subscription
“Trustee”	DB Trustees (Hong Kong) Limited, the trustee to be appointed in relation to the Bonds
“Trust Deed”	the trust deed to be executed into between the Company and the Trustee

“Voting Rights”

means the right generally to vote at a general meeting of shareholders of the Company (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

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

Hong Kong, 8 April 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.

** For identification purposes only*