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MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

- (I) VERY SUBSTANTIAL DISPOSALS, CB REPURCHASES AND CONNECTED TRANSACTIONS;**
- (II) WU SHENG EXCLUSIVITY UNDERTAKING;**
- (III) INTRADAK EXCLUSIVITY UNDERTAKING AND CONNECTED TRANSACTION;**
- (IV) TERMINATION OF OUTSOURCE AGREEMENT;**
- (V) PROPOSED OPEN OFFER ON THE BASIS OF THREE OFFER SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE;**
- (VI) WHITEWASH WAIVER;**
- (VII) PROPOSED INCREASE IN AUTHORISED CAPITAL; AND**
- (VIII) RESUMPTION OF TRADING**

The Intralot Disposal

The Board is pleased to announce that on 26 June 2012, the Company, Rising Move and Intralot entered into the Intralot Agreement in relation to the disposal of the GA Sale Shares and the PS Sale Shares by Rising Move, for a consideration of HK\$277,175,310, and the repurchase of the Intralot 2013 Convertible Bonds by the Company for a consideration of HK\$277,175,310. The consideration payable by Intralot for the purchase of the GA Sale Shares and the PS Sale Shares and the consideration payable by the Company for the repurchase of the Intralot 2013 Convertible Bonds shall be set off against each other at Intralot Disposal Completion.

The GCH Disposal

On 26 June 2012, the Company and GCH entered into the GCH Agreement in relation to the disposal of the OR Sale Shares by the Company for a consideration of HK\$175,188,566 and the repurchase of the GCH 2012 Convertible Bonds by the Company for a consideration of HK\$175,188,566. The consideration payable by GCH for the purchase of the OR Sale Shares and the consideration payable by the Company for the repurchase of the GCH 2012 Convertible Bonds shall be set off against each other at GCH Disposal Completion.

The Exclusivity Undertakings

To secure the supply of the Approved LVM and the business of Beijing Telenet and its role under the CSLA Supply Chain after the GCH Disposal Completion, on 13 August 2012, Beijing Telenet has entered into an unconditional exclusivity undertaking with Wu Sheng and a conditional exclusivity undertaking with Intradak respectively.

Pursuant to the Wu Sheng Exclusivity Undertaking, Wu Sheng granted an exclusive right to Beijing Telenet for procuring the Approved LVM mutually specified by Wu Sheng and Beijing Telenet for a term of one year effective from the day of signing. During the term of the Wu Sheng Exclusivity Undertaking, Wu Sheng shall solely supply the Approved LVM to Beijing Telenet at prices set in accordance with the existing pricing policy and shall not directly or indirectly, without the written consent of Beijing Telenet, supply the Approved LVM to (i) competitors or potential competitors of Beijing Telenet, (ii) Intradak; or (iii) any other third party enterprises, corporations or individuals other than Beijing Telenet. Wu Sheng further undertook that it shall not directly or indirectly compete with Beijing Telenet in connection with the supply of the Approved LVM. The Wu Sheng Exclusivity Undertaking also stipulates that the transactions to be carried out between Wu Sheng and Beijing Telenet will follow an unchanged pricing policy, since 2006.

Pursuant to the Intradak Exclusivity Undertaking, Intradak granted an exclusive right to Beijing Telenet for supplying the Approved LVM mutually specified by Intradak and Beijing Telenet for a term of one year effective from the first business day after the EGM for approving the Intradak Exclusivity Undertaking. During the term of the Intradak Exclusivity Undertaking, Intradak shall solely procure the Approved LVM from Beijing Telenet and shall not directly or indirectly, without the written consent of Beijing Telenet, procure the Approved LVM from any other third party enterprises, corporations or individuals other than Beijing Telenet.

Termination of the Outsource Agreement

Pursuant to the Outsource Agreement, PAL Beijing outsourced the operation of certain of lottery business and the daily operation and administrative functions in the PRC to the Contractor for a term of three years commencing on 1 July 2012 and ending on 30 June 2015. Having entered into both the Outsource Agreement and the Disposal Agreements, the Remaining Group may not be able to fulfill the sufficiency of operation requirements under Rule 17.26 of the GEM Listing Rules and maintain the listing status of the Company on GEM. The Directors, after due and careful consideration of the risks and benefits brought about by each of the Outsource Agreement and the Disposal Agreements, had decided to terminate the Outsource Agreement in accordance with its terms by entering into a deed of termination dated 13 August 2012 between the parties to the Outsource Agreement and effective on the same day.

The Open Offer

The Company proposes to raise not more than approximately HK\$134.9 million, before expenses, by issuing not more than 1,729,046,799 Offer Shares (assuming all Shareholders take up their entitlements under the Open Offer and full exercise of the subscription rights attaching to the Share Options (excluding the Excluded Options) on or before the Latest Lodging Date) by way of the Open Offer at a price of HK\$0.078 per Offer Share on the basis of three Offer Shares for every existing Share held by the Qualifying Shareholders on the Record Date. The Open Offer will be available only to the Qualifying Shareholders.

Subject to the terms of the Underwriting Agreement, up to 1,273,566,615 Underwritten Shares will be underwritten by the Underwriters. **As the number of Underwritten Shares is less than the total Offer Shares, the Open Offer is not fully underwritten. Subject to fulfillment of the conditions of the Open Offer and the Underwriting Agreement, the Open Offer will proceed regardless of the ultimate subscription level as there are no requirements for minimal levels of subscription pursuant to the Company's constitutional documents or the law of Cayman Islands. Having made the reasonable enquiries, the Directors confirm that the Company has also complied with all the applicable statutory requirements regarding the minimal levels of subscription of the Open Offer. As at the date of this announcement, none of the substantial shareholders of the Company have undertaken to take up their respective assured entitlements to the Open Offer either in part or in full.**

The Company intends to use the net proceeds from the Open Offer to repay the Power Way Loan amounting to approximately HK\$89.3 million as at 31 May 2012. The remaining amount of the net proceeds from the Open Offer of up to HK\$44.1 million will be used as additional working capital to strengthen the Company's financial position and to develop its lottery business, including but not limited to, the development of its paperless lottery sales channels, such as mobile network and/or internet.

Immediately upon completion of the Open Offer, the Underwritten Shares to be subscribed by the Underwriters together with the Shares held or to be held by Melco LV and other non-public Shareholders shall not be more than 75% of the total shareholdings of the Company as enlarged by the Offer Shares.

The Open Offer is conditional upon certain conditions, details of which are set out in the section headed “Conditions of the Open Offer and the Underwriting Agreement” in the full text of this announcement below. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Relationship among the Underwriters and parties acting in concert with them

Melco LV, GCH, Intralot and Firich are parties to certain agreements and undertakings in connection with the Asset Transfer Agreement, which was completed on 9 December 2008. In view of each of Melco LV, GCH, Intralot and Firich entering into of the aforesaid agreements and undertakings in respect of governing their respective shareholdings in the Company, each of them is party acting in concert with each other. Under the Transactions, Melco LV and Power Way are applicants for the Whitewash Waiver, and GCH, Intralot and Firich are part of the concert party group of Melco LV and Power Way.

Proposed Increase in Authorised Capital

The authorised share capital of the Company is HK\$20,000,000 comprising 2,000,000,000 Shares, of which 502,966,933 Shares are in issue as at the date of this announcement. The authorised unissued 1,497,033,067 Shares are insufficient for the issuance of the Offer Shares in full. The Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 to HK\$55,000,000 by the creation of additional 3,500,000,000 unissued Shares which will rank pari passu in all respects with the existing issued Shares. The Proposed Increase in Authorised Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

To avoid any unnecessary delay in the group reorganisation timetable and in order not to complicate the existing group reorganisation procedures, the Company undertakes to conduct a share consolidation as soon as practicable after completion of the Open Offer. In the meantime, the Company will closely monitor its Share price.

Implications of the GEM Listing Rules

The Disposal Agreements

As certain of the applicable percentage ratios under the Intralot Agreement as calculated under Rule 19.07 of the GEM Listing Rules exceed 75%, the Intralot Agreement constitutes a very substantial disposal for the Company under the GEM Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

Intralot, which, together with its associates, is interested in 52,973,779 Shares (representing approximately 10.53% of the issued share capital of the Company) as at the date of this announcement and is a substantial Shareholder. As such, the transactions contemplated under the Intralot Agreement also constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

As certain of the applicable percentage ratios under the GCH Agreement as calculated under Rule 19.07 of the GEM Listing Rules exceed 75%, the GCH Agreement constitutes a very substantial disposal for the Company under the GEM Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

GCH is a connected person of the Company by virtue of it being a substantial shareholder of Oasis Rich, an indirect 60%-owned subsidiary of the Company. As such, the transactions contemplated under the GCH Agreement also constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

The Intradak Exclusivity Undertaking

Mr. Ding, together with Mrs. Ding, are controlling shareholders of Beijing Haiyin and substantial shareholders (through Beijing Haiyin) of Beijing Telenet and Mr. Ding is a director of Beijing Telenet and indirectly, through Mrs. Ding, interested in 22,668,000 Shares as at the date of the announcement. Intradak is a connected person of the Company by virtue of it being owned as to 35% and 20% by Beijing Haiyin and Mr. Ding respectively as at the date of this announcement. As such, the entering into of the Intradak Exclusivity Undertaking constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Open Offer

Since the Open Offer will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Open Offer is conditional on the approval by Independent Shareholders at the EGM by a resolution on which the controlling Shareholders, if any, are required to abstain from voting in favour of the Open Offer. As at the date of this announcement, the Company is not aware of any Shareholder being a controlling Shareholder.

Given the Disposal Agreements (including the CB Repurchases), the Open Offer and the Underwriting Agreement (including the Whitewash Waiver) are inter-conditional of each other, Firich, GCH, Intralot, Melco LV and their respective associates and parties acting in concert with any of them and Shareholders who are involved in or interested in the Transactions will be required to abstain from voting in respect of the resolutions approving the Transactions at the EGM.

Implications of the Takeovers Code

The taking up of (i) the Offer Shares to which the Underwriters and parties acting in concert with any of them are entitled to under the Open Offer, and (ii) the Underwritten Shares to be subscribed by the Underwriters as permissible under the Underwriting Agreement, based on the assumption that no other Qualifying Shareholders subscribe for the Offer Shares, will result in the aggregate percentage shareholdings of the Underwriters and parties acting in concert with any of them in the Company being increased from approximately 28.92% to approximately 78.43% and will therefore give rise to a mandatory offer obligation on the part of the Underwriters and parties acting in concert with any of them under Rule 26 of the Takeovers Code for all the Shares and other securities issued by the Company not already held or agreed to be acquired by the Underwriters and parties acting in concert with any of them unless the Whitewash Waiver is obtained.

An application will be made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM. The Underwriters and parties acting in concert with any of them and Shareholders who are involved in or interested in the Transactions will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM. It is one of the conditions of the Open Offer and the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Open Offer will not proceed.

Implications of the Repurchase Code

The CB Repurchases will constitute an off-market share repurchase under the Repurchase Code and must be approved by the Executive pursuant to Rule 2 of the Repurchase Code. Such approval, if given, will be conditional upon, amongst others, the approval of the CB Repurchases by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM. An application will be made to the Executive for the approval of the CB Repurchases pursuant to Rule 2 of the Repurchase Code.

As required by the Repurchase Code, the Underwriters and parties acting in concert with any of them and the Shareholders who are involved in or interested in the Transactions will abstain from voting on the resolution to approve the CB Repurchases and the Disposal Agreements at the EGM.

General

Pursuant to Rule 8.2 of the Takeovers Code, a circular containing inter alia, (i) further details of the Transactions and the Intradak Exclusivity Undertaking; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions and the Intradak Exclusivity Undertaking; (iii) the letter from an independent financial adviser to both the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the Intradak Exclusivity Undertaking; and (iv) the notice of EGM, shall be despatched within 21 days of the date of this announcement, or such later date as the Executive may approve. As additional time is required, among other things, to prepare for the financial information relevant to the Transactions for inclusion in the circular, the Company will apply to the Executive for a waiver from compliance with Rule 8.2 of the Takeovers Code and to postpone the latest date to despatch the circular of the Transactions and the Intradak Exclusivity Undertaking from 4 September 2012 to 25 September 2012. The circular to be despatched in relation to the Transactions and the Intradak Exclusivity Undertaking will comply with the requirements under the GEM Listing Rules, the Takeovers Code and the Repurchase Code.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the Intradak Exclusivity Undertaking. Further announcement will be made by the Company upon the appointment of the independent financial adviser.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Open Offer and the Underwriting Agreement being satisfied.

Resumption of trading

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on Wednesday, 27 June 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on Wednesday, 15 August 2012.

(I) VERY SUBSTANTIAL DISPOSALS AND CONNECTED TRANSACTIONS

1. THE INTRALOT AGREEMENT

Date : 26 June 2012

Parties : Intralot;
Rising Move; and
the Company

Intralot is an investment holding company and a wholly-owned subsidiary of Intralot S.A.. As at the date of this announcement, Intralot is interested in 52,973,779 Shares (representing approximately 10.53% of the issued share capital of the Company). Accordingly, Intralot is a substantial shareholder of the Company and hence a connected person of the Company. Intralot is also the holder of the Intralot 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds.

Rising Move is an investment holding company and a direct wholly-owned subsidiary of the Company and is the beneficial owner of 100% issued share capital of Gain Advance and Precious Success as at the date of this announcement.

Subject matters of the Intralot Agreement

- (i) the GA Sale Shares, representing 100% of the entire issued share capital of Gain Advance beneficially owned by Rising Move;
- (ii) the PS Sale Shares, representing 49% of the entire issued share capital of Precious Success beneficially owned by Rising Move; and
- (iii) the Intralot 2013 Convertible Bonds, being the 0.1% convertible bonds due on 9 December 2013 in the principal amount of HK\$277,175,310, which entitle Intralot to subscribe for 279,692,542 Shares upon the exercise of the conversion rights attached thereto in full.

Pursuant to the Intralot Agreement, (i) the Company has conditionally agreed to procure Rising Move to dispose of and Intralot has conditionally agreed to acquire (or to procure one of its wholly-owned subsidiaries to acquire) the GA Sale Shares and the PS Sale Shares; and (ii) the Company has conditionally agreed to repurchase and Intralot has conditionally agreed to dispose of the Intralot 2013 Convertible Bonds.

Consideration payable under the Intralot Agreement

The consideration payable by Intralot to Rising Move for the Intralot Disposal is HK\$277,175,310 and the consideration payable by the Company to Intralot for the repurchase of the Intralot 2013 Convertible Bonds is HK\$277,175,310. Pursuant to the Intralot Agreement, the consideration payable by Intralot for the purchase of the GA Sale Shares and the PS Sale Shares and the consideration payable by the Company for the repurchase of the Intralot 2013 Convertible Bonds shall be set off against each other at Intralot Disposal Completion.

The considerations for both the Intralot Disposal and the repurchase of Intralot 2013 Convertible Bonds were determined after arm's length negotiations between Intralot and the Company with reference to primarily the principal amount of the Intralot 2013 Convertible Bonds and, among other things, the net asset value of Gain Advance attributable to the GA Sale Shares, the net asset value of Precious Success attributable to the PS Sale Shares, and the historical operating results of Gain Advance and Precious Success.

Conditions precedent of the Intralot Agreement

Pursuant to the Intralot Agreement, the conditions precedent of the Intralot Disposal are as follows:

- (a) the passing by the Independent Shareholders at the EGM, among other things, the following resolutions by way of poll:
 - (i) an ordinary resolution to approve the implementation of the transactions envisaged by the Intralot Agreement (including but not limited to the sale and purchase of the GA Sale Shares and the PS Sale Shares); and
 - (ii) approval of the off-market repurchase of the Intralot 2013 Convertible Bonds by at least three-fourths of the votes cast on a poll by Independent Shareholders in attendance in person or by proxy at the EGM;
- (b) if applicable, the passing by the shareholders of the holding company of Intralot at its general meeting to be convened and held to approve the Intralot Agreement and the transactions contemplated thereunder (including but not limited to the sale and purchase of the GA Sale Shares, the PS Sale Shares and the repurchase of the Intralot 2013 Convertible Bonds);
- (c) all necessary consents, approvals, authorisations and release required to be obtained on the part of the Company in respect of the Intralot Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

- (d) all necessary consents, approvals, authorisations and release required to be obtained on the part of Intralot in respect of the Intralot Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (e) the approval by the Executive for the repurchase of the Intralot 2013 Convertible Bonds pursuant to Rule 2 of the Repurchase Code and remaining in full force and effect and any condition(s) to which such approval is/are subject to having been satisfied in all respects;
- (f) the GCH Agreement having becoming unconditional (save for the condition for the Intralot Agreement having becoming unconditional);
- (g) the Underwriting Agreement having becoming unconditional (save for the condition for Intralot Disposal Completion and GCH Disposal Completion);
- (h) the warranties given by the Company in the Intralot Agreement remaining true and accurate in all respects; and
- (i) the warranties given by Intralot in the Intralot Agreement remaining true and accurate in all respects.

None of the conditions precedent is capable of being waived by the parties to the Intralot Agreement, save that Intralot may waive condition (h) and the Company may waive condition (i) above. If the conditions precedent are not satisfied by 4:00 p.m. on 31 December 2012, or such other date as Intralot and the Company may agree, the Intralot Agreement shall cease to have effect and determine.

Completion

Completion of the Intralot Agreement shall take place on the third Business Day after the conditions precedent having been fulfilled or at such other date as the parties to the Intralot Agreement may mutually agree.

Upon Intralot Disposal Completion, Gain Advance will cease to be a subsidiary of the Company and Precious Success will become an indirect 51% subsidiary of the Company. The Company has no intention to dispose of the remaining equity interest in Precious Success.

Information on Gain Advance

Gain Advance is an indirect wholly-owned subsidiary of the Company. Through its 100% equity interest in KTeMS Co., Ltd., a company incorporated in South Korea, Gain Advance indirectly holds a 14% equity interest in Nanum Lotto Inc., a company incorporated in South Korea, which is principally engaged in the technology development, operation and investment in lottery-related businesses in South Korea and the Asian region. Nanum Lotto Inc. operates the national online lottery game in South Korea under an exclusive lottery licence granted by the Lottery Commission of the Ministry of Strategy and Finance of South Korea.

As at 31 March 2012, Gain Advance had an unaudited consolidated net asset value of approximately HK\$139.4 million. For the two years ended 31 December 2010 and 2011, the audited consolidated net losses (both before and after taxation) of Gain Advance were approximately HK\$98,000 and HK\$124,000 respectively.

Gain Advance is an investment holding company and its principal asset, through its 100% equity interest in KTeMS Co., Ltd., is 14% indirect equity interest in Nanum Lotto Inc..

On 28 February 2008, Gain Advance entered into an agreement for the acquisition of 100% equity interest in KTeMS Co., Ltd. at the consideration of US\$12 million (equivalent to approximately HK\$93.6 million). Details of the acquisition of KTeMS Co., Ltd. are disclosed in the announcement of the Company dated 6 March 2008.

Information on Precious Success

Precious Success is an investment holding company and an indirect wholly-owned subsidiary of the Company. The subsidiaries of Precious Success are principally engaged in the provision of management services for distribution of lottery products in the PRC. Precious Success is also interested in the entire equity interest of PAL, which, through its subsidiaries, is engaged in the lottery business in the PRC.

As at 31 March 2012, Precious Success had an unaudited consolidated net asset value of approximately HK\$16.5 million. For the two years ended 31 December 2010 and 2011, the unaudited consolidated net losses (both before and after taxation) of Precious Success were approximately HK\$24.9 million and HK\$29.2 million respectively.

Information on the Intralot 2013 Convertible Bonds

As at 31 December 2011, the audited book value of the Intralot 2013 Convertible Bonds was approximately HK\$173.1 million.

The Intralot Supplemental Agreements

Each of Intralot and the Company agrees that upon Intralot Disposal Completion, certain rights and obligations under the Asset Transfer Agreement and the Licence Agreement shall cease to have effect. The parties therefore agree to amend certain provision in the Asset Transfer Agreement and the Licence Agreement to reflect the parties' intention, and Intralot and the Company shall enter into the Second Supplemental Agreement and the Supplemental SLA.

Upon Intralot Disposal Completion, the Company, Intralot and certain subsidiaries of the Company will enter into the Intralot Supplemental Agreements, comprising (i) the Second Supplemental Agreement; (ii) the Supplemental SLA; (iii) the Deed of Assignment and Novation; (iv) the Deed of Assignment and Novation of Supply Agreement; and (v) the Precious Success Shareholders Agreement. In general, these agreements release the obligations of the Company created when issuing the Intralot 2013 Convertible Bonds and shift the cooperation, rights and obligations between the Company and Intralot from the Company level to mainly the PAL level. The Second Supplemental Agreement will release the obligations of the Company, which have allowed Intralot to participate in the management of the Company and have given the performance related incentive to Intralot. The Supplemental SLA will release the non-competition obligations of the Company. The Deed of Assignment and Novation and the Deed of Assignment and Novation of Supply Agreement will transfer all rights and obligations under the Licence Agreement and the Supply Agreement respectively from the Company to PAL so that Intralot and the Company will continue their co-operation in the level of PAL. The Precious Success Shareholders Agreement record the respective rights and obligations in the new venture. Further details of these agreements are set out in this section below.

The Second Supplemental Agreement

Upon Intralot Disposal Completion, Intralot and the Company shall enter into the Second Supplemental Agreement, pursuant to which the Company and Intralot agree to amend the Asset Transfer Agreement so that Intralot shall cease to have the right to:

- (i) nominate a Director, who shall be included in the nomination committee of the Company, and the chief operating officer of the Company under the Asset Transfer Agreement;
- (ii) jointly with Melco LV nominate the chief financial officer of the Company under the Asset Transfer Agreement; and
- (iii) be entitled to a success payment of HK\$75,000,000 in the form of convertible bonds from the Company when two service agreements in relation to projects associated with CSLA and/or CWL in the PRC are secured.

The Supplemental SLA

Upon Intralot Disposal Completion, Intralot and the Company shall enter into the Supplement SLA, pursuant to which the Company shall no longer be restricted from marketing, selling, licensing or otherwise granting any licence to CSLA or CWL to use any software which is similar or competitive to, or likely to be competitive to the Licence.

The Deed of Assignment and Novation

Upon Intralot Disposal Completion, Intralot, the Company and PAL shall enter into the Deed of Assignment and Novation, pursuant to which (i) the Company shall assign all its rights, benefits, obligations and liabilities under the Licence Agreement to PAL; (ii) PAL shall act in place and stead of the Company to fulfill and discharge all the conditions, terms and covenants of the Licence Agreement; and (iii) Intralot, as the licensor, consents to release and discharge the Company from all obligations and liabilities in respect of the Licence Agreement and PAL to assume all obligations and liabilities of the Company and to observe and perform the terms, conditions and covenants of the Licence Agreement.

The Deed of Assignment and Novation of Supply Agreement

Upon Intralot Disposal Completion, Intralot, the Company and PAL shall enter into the Deed of Assignment and Novation of Supply Agreement pursuant to which (i) the Company shall assign all its rights and benefits under the Supply Agreement to PAL; (ii) PAL shall act in place and stead of the Company to observe and perform all the conditions, terms and covenants of the Supply Agreement; and (iii) Intralot, as the supplier, consents to release and discharge the Company from all obligations and liabilities in respect of the Supply Agreement and PAL to observe and perform the terms, conditions and covenants of the Supply Agreement.

The Precious Success Shareholders Agreement

At Intralot Disposal Completion, Intralot will enter into a shareholders' agreement with Rising Move and Precious Success, to record the respective rights and obligations as shareholders of Precious Success with respect to finance, management and operations of the Precious Success and its subsidiaries.

Under the Precious Success Shareholders Agreement, among other things, Rising Move shall be entitled to appoint three directors and Intralot shall be entitled to appoint two directors to the board of Precious Success. Rising Move shall be entitled to appoint the chief executive officer and Intralot shall be entitled to appoint the chief operating officer. Rising Move and Intralot shall jointly appoint the chief financial officer and business development director of Precious Success. Any transfer of shares or interest in shares by a shareholder thereafter will be subject to the first right of refusal of the other shareholder.

Upon the entering into of the Intralot second Supplemental Agreements, Precious Success will continue to be a subsidiary of the Company and it is anticipated that there will be no significant impact on Precious Success' operations since Precious Success has operated the business and carried out transactions under the Licence Agreement and the Supply Agreement prior to the Intralot Disposal.

2. THE GCH AGREEMENT

Date : 26 June 2012

Parties : GCH; and

the Company

GCH is an investment holding company. As at the date of this announcement, GCH is interested in approximately 32.86% of the entire issued share capital of Oasis Rich, which is an indirect 60% owned subsidiary of the Company, and is interested in 20,787,042 Shares (representing approximately 4.13% of the issued share capital of the Company). Accordingly, GCH is a connected person of the Company under the GEM Listing Rules. GCH is also the holder of the GCH 2012 Convertible Bonds.

GCH is wholly owned by Universal Rich. Universal Rich acquired the entire equity interest in GCH from Firich International on 15 December 2011.

Subject matters of the GCH Agreement

- (i) the OR Sale Shares, being 420,000 shares in Oasis Rich, representing 60% of the entire issued share capital of Oasis Rich beneficially owned by the Company; and
- (ii) the GCH 2012 Convertible Bonds, being the 0.1% convertible bonds due on 13 December 2012 in the principal amount of HK\$175,188,566, which are legally and beneficially owned by GCH and entitle the holder thereof to subscribe for 206,104,195 Shares upon exercise of the conversion rights attached thereto in full.

Pursuant to the GCH Agreement, (i) the Company has conditionally agreed to dispose of and GCH has conditionally agreed to acquire (or to procure one of its wholly-owned subsidiaries to acquire) the OR Sale Shares; and (ii) the Company has conditionally agreed to repurchase and GCH has conditionally agreed to dispose of the GCH 2012 Convertible Bonds.

Consideration payable under the GCH Agreement

The consideration payable by GCH to the Company for the GCH Disposal is HK\$175,188,566 and the consideration payable by the Company to GCH for the repurchase of the GCH 2012 Convertible Bonds is HK\$175,188,566. Pursuant to the GCH Agreement, the consideration payable by GCH for the purchase of the OR Sale Shares and the consideration payable by the Company for the repurchase of the GCH 2012 Convertible Bonds shall be set off against each other at GCH Disposal Completion.

The considerations for both the GCH Disposal and the repurchase of the GCH 2012 Convertible Bonds were determined after arm's length negotiations between GCH and the Company with reference to primarily, the principal amount of the GCH 2012 Convertible Bonds and, among other things, the net asset value of Oasis Rich attributable to the OR Sale Shares and the historical operating results of Oasis Rich.

Conditions precedent of the GCH Agreement

Pursuant to the GCH Agreement, the conditions precedent of the GCH Disposal are as follows:

- (a) the passing by the Independent Shareholders at the EGM, among other things, the following resolutions by way of poll:
 - (i) an ordinary resolution to approve the implementation of the transactions envisaged by the GCH Agreement (including but not limited to the sale and purchase of the OR Sale Shares); and
 - (ii) approval of the off-market repurchase of the GCH 2012 Convertible Bonds by at least three-fourths of the votes cast on a poll by Independent Shareholders in attendance in person or by proxy at the EGM;
- (b) all necessary consents, approvals, authorisations and releases required to be obtained on the part of the Company in respect of the GCH Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (c) all necessary consents, approvals, authorisations and releases required to be obtained on the part of GCH in respect of the GCH Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (d) the approval by the Executive for the repurchase of the GCH 2012 Convertible Bonds, pursuant to Rule 2 of the Repurchase Code and remaining in full force and effect and any condition(s) to which such approval is/are subject to having been satisfied in all respects;
- (e) the Intralot Agreement having becoming unconditional (save for the condition for the GCH Agreement having becoming unconditional);
- (f) the Underwriting Agreement having becoming unconditional (save for the condition for Intralot Disposal Completion and GCH Disposal completion);

- (g) the warranties given by the Company in the GCH Agreement remaining true and accurate in all respects; and
- (h) the warranties given by GCH in the GCH Agreement remaining true and accurate in all respects.

None of the conditions precedent is capable of being waived by the parties to the GCH Agreement, save that GCH may waive condition (g) and the Company may waive condition (h) above. If the conditions precedent are not satisfied by 4:00 p.m. on 31 December 2012, or such other date as GCH and the Company may agree, the GCH Agreement shall cease and determine.

Completion

The GCH Disposal Completion shall take place on the third Business Day after the conditions precedent having been fulfilled or at such other date as the parties to the GCH Agreement may mutually agree.

Upon GCH Disposal Completion, Oasis Rich will cease to be a subsidiary of the Company.

Information on Oasis Rich

The Company is indirectly interested in 60% of the issued share capital of Oasis Rich as at the date of this announcement. The OR Sale Shares represent the entire interest of the Company in Oasis Rich.

Oasis Rich is an investment holding company which, through its subsidiary, Wu Sheng, is principally engaged in the manufacturing of lottery terminals for CSLA.

On 8 October 2007, the Group entered into an agreement with Power Way to purchase 60% of the equity interest of Oasis Rich and 80% of the equity interest of PAL at the aggregate consideration of approximately HK\$668 million. Details of the aforesaid acquisitions are disclosed in the announcement of the Company dated 8 October 2007.

For the two years ended 31 December 2010 and 2011, the consolidated net losses before and after taxation of Oasis Rich were as follows:

	For the year ended	
	31 December	
	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net loss before taxation	(748)	(11,635)
Net loss after taxation	<u>(748)</u>	<u>(11,635)</u>

According to the audited consolidated financial statements of Oasis Rich for the two years ended 31 December 2010 and 2011 respectively, the revenue of Oasis Rich amounted to approximately HK\$68.4 million and HK\$78.3 million respectively. As at 31 March 2012, Oasis Rich had an unaudited consolidated net asset value of approximately HK\$27.4 million.

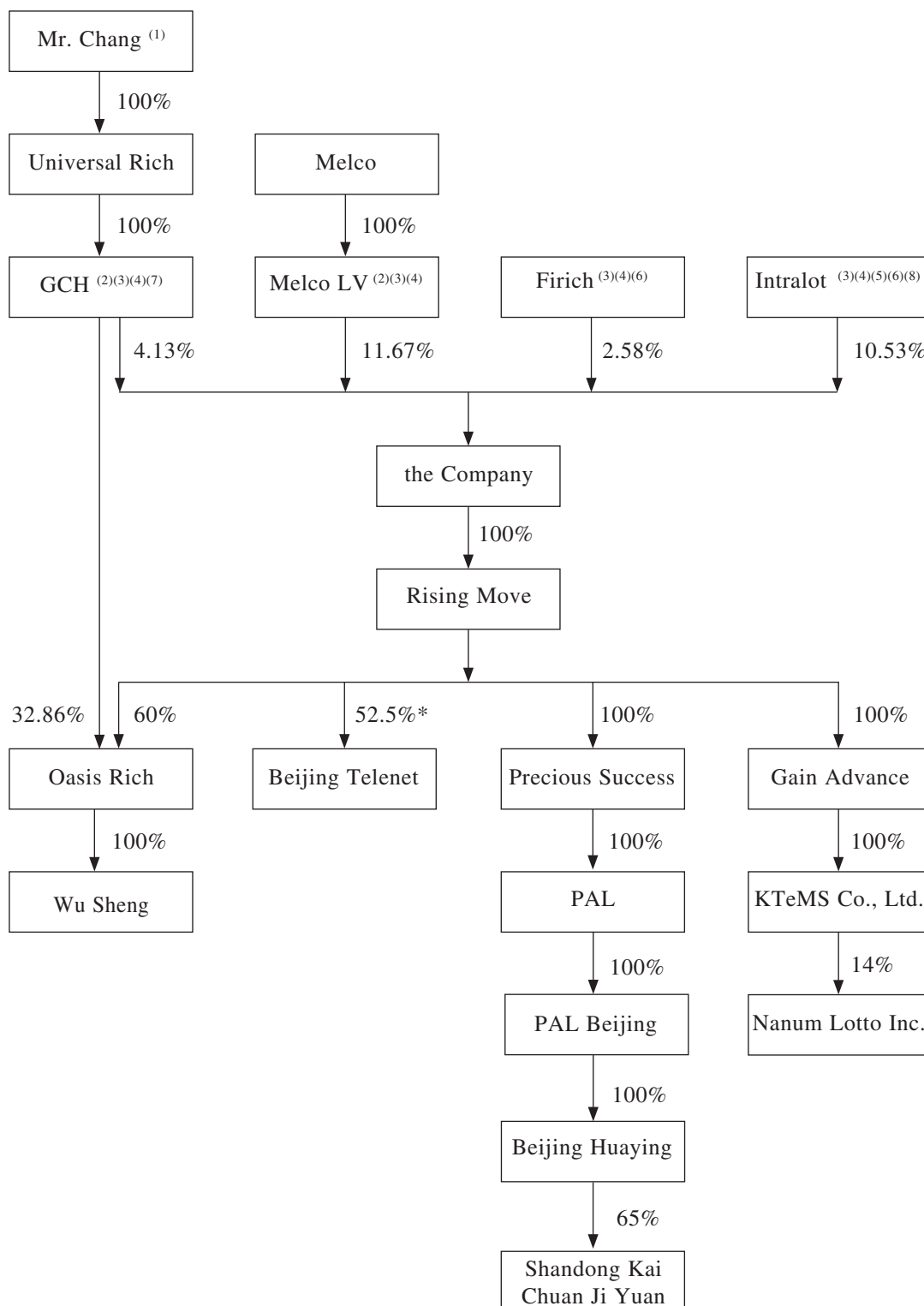
Information on the GCH 2012 Convertible Bonds

As at 31 December 2011, the audited book value of the GCH 2012 Convertible Bonds was approximately HK\$160.2 million.

3. CORPORATE STRUCTURE

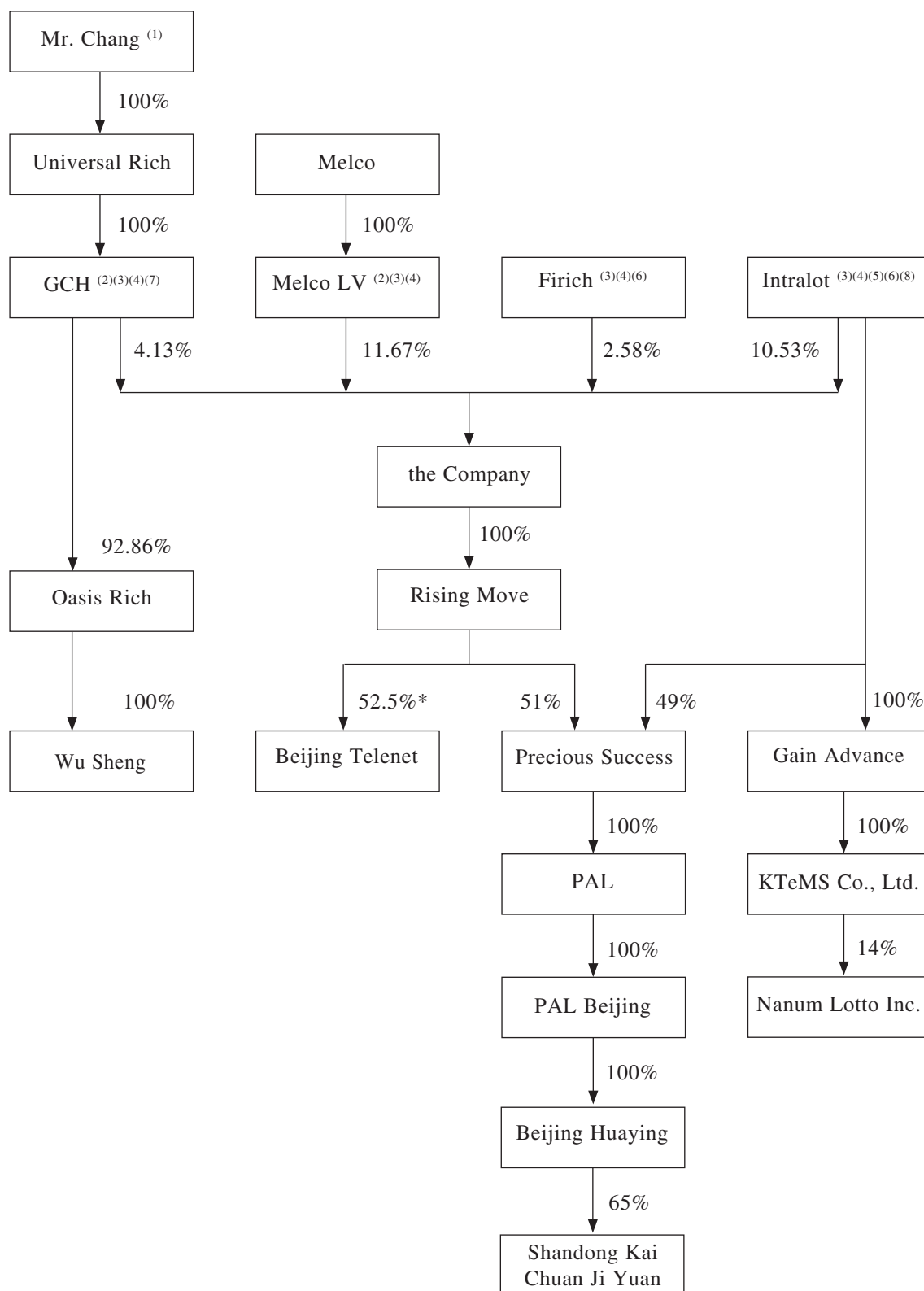
The simplified corporate structure of the Group and parties involved in connection with the Disposal Agreements as at the date of this announcement and immediately upon completion of the Disposal Agreements are as follows:

As at the date of this announcement



* *indirect shareholding controlled by the Company*

Upon completion of the Disposal Agreements



* indirect shareholding controlled by the Company

Notes:

- (1) Mr. Chang, a former employee of Firich, is indirectly interested in the entire equity interest in GCH, through his interest in Universal Rich. As at the date of this announcement, GCH is interested in (i) 32.86% equity interest in Oasis Rich; (ii) 4.13% of the issued share capital of the Company; and (iii) the GCH 2012 Convertible Bonds in the principal amount of HK\$175,188,566, which entitle GCH to subscribe for 206,104,195 Conversion Shares upon the exercise of the conversion rights attached thereto in full.
- (2) Each of Melco LV, GCH and LottVision Investments is interested in approximately 58.70%, 28.87% and 12.43% equity interest in Power Way respectively.
- (3) Melco LV, GCH, Intralot and Firich are parties to certain agreements and undertakings in connection with the Asset Transfer Agreement, which was completed on 9 December 2008, details of which are set out in the announcement of the Company dated 28 September 2008. In view of each of Melco LV, GCH, Intralot and Firich entering into of the aforesaid agreements and undertakings in respect of governing their respective shareholdings in the Company, each of them is party acting in concert with each other. Under the Transactions, Melco LV and Power Way are applicants for the Whitewash Waiver, and GCH, Intralot and Firich are part of the concert party group of Melco LV and Power Way.
- (4) Melco LV, GCH, Firich and Intralot are the holders of the 2012 Convertible Bonds in the principal amounts of HK\$399,505,732, HK\$175,188,566, HK\$17,677,251 and HK\$14,428,451 respectively.
- (5) Intralot is the sole holder of the Intralot 2013 Convertible Bonds in the principal amount of HK\$277,175,310.
- (6) Firich and Intralot have certain ongoing business arrangements with each other.
- (7) Pursuant to the GCH Agreement, the Company shall repurchase and GCH shall dispose of the GCH 2012 Convertible Bonds in the principal amount of HK\$175,188,566.
- (8) Pursuant to the Intralot Agreement, the Company shall repurchase and Intralot shall dispose of the Intralot 2013 Convertible Bonds in the principal amount of HK\$277,175,310.

4. REASONS FOR ENTERING INTO THE DISPOSAL AGREEMENTS

The Company is primarily an investment holding company and its subsidiaries are principally engaged in lottery business in the PRC.

The Company has been pursuing lottery business since 2007 after a series of acquisitions of various lottery related businesses and assets. However, the performance of the Group has been unsatisfactorily reporting significant net losses in the past few years and in light of the concern over the build-up of significant total liabilities of the Group, which is mainly attributable to the outstanding convertible bonds in the principal amount of HK\$883,975,310 as at the date of this announcement, the Board intends to carry out a reorganisation of its lottery business and the Disposal Agreements form part of such group reorganisation, which also includes (i) the amendment of Beijing Telenet Articles as disclosed in the announcement of the Company dated 27 July 2011 and set out under the

paragraph headed “Beijing Telenet” below; (ii) the acquisition of the remaining 20% equity interest of PAL as disclosed in the announcement of the Company dated 19 September 2011 and set out under the paragraph headed “PAL” below; and (iii) the Open Offer and the Underwriting Agreement (including the Set Off). Details of the aforesaid group reorganisation activities have been set out in the announcements of the Company dated 27 July 2011, 19 September 2011 and in this announcement, respectively.

The Intralot Disposal and GCH Disposal are expected to result in substantial debt reduction of convertible bonds in the principal amount of HK\$452,363,876 and gains of approximately HK\$129.7 million and HK\$158.7 million respectively for the Group. The actual gains arising from the Intralot Disposal and the GCH Disposal however will be calculated based on the audited financial information of Gain Advance and Precious Success as at Intralot Disposal Completion and Oasis Rich and GCH Disposal Completion respectively, which may be different from the estimated gains disclosed above.

The Disposal Agreements

As at the date of this announcement, the Company has outstanding convertible bonds in the principal amount of HK\$883,975,310 (comprising the 2012 Convertible Bonds in the principal amount of HK\$606,800,000 and the Intralot 2013 Convertible Bonds in the principal amount of HK\$277,175,310). The Company will not receive any proceeds in cash from the Intralot Disposal and the GCH Disposal but the Disposal Agreements will facilitate the repurchases and cancellations of the entire Intralot 2013 Convertible Bonds and part of the 2012 Convertible Bonds in the principal amount of HK\$175,188,566, which will reduce the liabilities of the Group significantly and settle the outstanding principal amounts of the Intralot 2013 Convertible Bonds and the GCH 2012 Convertible Bonds.

a) The Intralot Agreement

Through Gain Advance, the Company is indirectly interested in 14% equity interest in Nanum Lotto Inc. which is principally engaged in the technology development, operation and investment in lottery-related businesses in South Korea and other Asian region. As a minority shareholder, the Company has limited influence over the operations of Nanum Lotto Inc.. The Board regards the disposal of Gain Advance as an opportunity to focus on lottery business in the PRC.

Intralot S.A., the holding company of Intralot, is a leading supplier of integrated gaming and transaction processing systems, innovative game content and sports betting management. The Board believes that the disposal of 49% equity interest in Precious Success to Intralot will bring Intralot’s expertise in lottery business to the Group.

b) *The GCH Agreement*

Oasis Rich is engaged in the manufacturing of lottery terminals for CSLA related projects in the PRC. As disclosed in the annual report of the Company for the year ended 31 December 2011, new equipment procurement cycle of the CSLA has been subject to prolonged delay. The management is of the view that the demand and timing of the equipment procurement cycle from the customers are uncertain and further investments in the manufacturing operations may require significant additional working capital. Therefore, the Board believes that it will be prudent to divest the manufacturing operations and reduce the level of liabilities of the Company.

Beijing Telenet currently sources its lottery terminals from Wu Sheng, a wholly-owned subsidiary of Oasis Rich, for distribution. For the two years ended 31 December 2010 and 2011, lottery terminals and related equipment supplied by Wu Sheng to Beijing Telenet amounted to approximately HK\$67.0 million and HK\$77.4 million respectively, equivalent to approximately 78.7% or 100% of the cost of sales of Beijing Telenet for the corresponding periods. Upon completion of the GCH Disposal, Wu Sheng will remain the major supplier of Beijing Telenet.

The Remaining Group

Upon completion of the Disposal Agreements, the Remaining Group will consist of, among others, (i) 52.5% equity interest in Beijing Telenet; and (ii) 51% equity interest in Precious Success, which is interested in 100% equity interest in PAL, details of which are set out below:

a) *Beijing Telenet*

Beijing Telenet is principally engaged in the distribution of lottery terminals in the PRC and is one of the largest authorised terminal distributors approved by the CSLA. Its principal office is located in Beijing, the PRC and it also has supporting teams located in 22 provinces in the PRC. As at the date of this announcement, Beijing Telenet has 52 employees, including 36 employees in the provision of technical support, 8 employees in sales and 8 employees in administrative and finance functions.

Set out below is the CSLA lottery supply chain in the PRC (from the perspective of the supply chain of lottery terminals where each of Wu Sheng, Beijing Telenet and Intradak takes part (the “**CSLA Supply Chain**”)).



As set out in the diagram above, the members of the CSLA Supply Chain are amongst the system providers which provide the Approved LVM used by the CSLA to sell lottery tickets and run lottery games. Since the establishment of Beijing Telenet in 2006, Intradak has been the sole customer of Beijing Telenet and, vice versa, Beijing Telenet has been the sole supplier to Intradak. The business model of Beijing Telenet in the CSLA Supply Chain has been operated and remained unchanged since 2006 and is expected to be remain so after the Transactions.

Beijing Telenet plays a critical role in the CSLA Supply Chain. Under a typical sales contract entered into between Intradak and Beijing Telenet, in addition to the supply of the Approved LVM, Beijing Telenet's services would include, among other things, (i) providing free warranty service for a period of 3 years; (ii) providing timely replacement for faulty parts of the Approved LVM during the warranty period; and (iii) ensuring the average monthly faulty rate of the Approved LVM to be less than 1% of the total procurement volume during the warranty period. Beijing Telenet charges a fixed price for sales and distribution of the Approved LVM which includes maintenance and on-site after-sales services support such as installation of terminals and on-site training for sales agents during the warranty period in a timely manner.

As at the date of this announcement, both Beijing Telenet and Intradak are two of the only seven authorised distributors in the PRC which are permitted to bid for the CSLA projects. Albeit Beijing Telenet is able to bid for the CSLA projects, it is the intention of the Directors to focus on the principal business activities of the trading, distribution and maintenance of the Approved LVM instead of bidding for the CSLA projects mainly due to (i) the stable margins that Beijing Telenet can earn by providing trading, distribution and maintenance services; (ii) the advantage of bidding for the CSLA projects lies with Intradak owing to its expertise and experience in the lottery related business in the PRC; and (iii) the benefits brought about by overall business model of the CSLA Supply Chain.

Prior to the implementation of the amendments to the Beijing Telenet Articles, the then Beijing Telenet Articles require that all the Beijing Telenet board resolutions shall be passed by more than two-thirds majority votes or above. Upon the implementation of the amendments to the then Beijing Telenet Articles in late July 2011, certain Beijing Telenet board resolutions can be passed by simple majority votes. The Company, which had appointed four Beijing Telenet directors out of seven Beijing Telenet directors, would have the voting rights to govern those financial and operating policies of Beijing Telenet, which require simple majority votes of the Beijing Telenet Board upon the implementation of the amendments to the then Beijing Telenet Articles. Accordingly, pursuant to the relevant Hong Kong accounting standards, Beijing Telenet has been accounted for as an indirect non wholly-owned subsidiary of the Company and its financial information has been consolidated into the financial statements of the Company. Please refer to the announcement of the Company dated 27 July 2011 for further details. The amendments of the Beijing Telenet Articles have been completed and are independent of the Transactions.

Based on the unaudited financial statements of Beijing Telenet for the two years ended 31 December 2010 and 2011, the revenue, net profit before and after taxation of Beijing Telenet amounted to approximately RMB73.6 million, RMB0.59 million and RMB0.44 million respectively (equivalent to approximately HK\$89.8 million, HK\$0.72 million and HK\$0.54 million, respectively) for 2010 and amounted to approximately RMB70.8 million, approximately RMB0.37 million and approximately RMB0.28 million respectively (equivalent to approximately HK\$86.4 million, approximately HK\$0.45 million and approximately HK\$0.34 million, respectively) for 2011.

The unaudited net asset value of Beijing Telenet was approximately RMB24.2 million (equivalent to approximately HK\$29.5 million) as at 31 March 2012.

b) *PAL*

PAL, through its subsidiaries, is principally engaged in the lottery business in the PRC. Its principal subsidiary, PAL Beijing, is located in Beijing, the PRC. As at the date of this announcement, the PAL Beijing Group has 37 employees, including 6 employees in the provision of technical support, 10 employees in sales and 21 employees in administrative and finance functions.

PAL Beijing is a wholly-owned subsidiary of PAL and represents substantially all of the business operation of PAL. Apart from PAL Beijing running 4 shops and 77 lottery vending terminals for the CSLA on behalf of Zhonghuicai (Beijing) Information Technology Limited, the PAL Beijing Group's other business lines which vary and focus on the CWL projects are set out below:

- (i) Tianjin branch of Beijing Huaying is engaged in the sale of scratch cards in bulk and distributing the scratch cards to the sales agents in Tianjin;
- (ii) Chongqing branch of Beijing Huaying is a system provider and owner of a high-frequency lottery game system in Chongqing and is also engaged in system and set-top boxes maintenance and upgrade; and
- (iii) Shandong Kai Chuan Ji Yuan is engaged in the design and development of the tele-betting system as well as the sale of the paperless lottery tickets through the tele-betting system to its members in Shandong.

As disclosed by the Company in its announcement dated 19 September 2011, Precious Success is interested in the entire equity interest of PAL pursuant to the acquisition of the remaining 20% equity interest in PAL from LottVision Investments. Upon Intralot Disposal Completion, PAL will become an indirect non wholly-owned subsidiary of the Company. As at the date of this announcement, neither LottVision, which is interested in the entire equity interest of LottVision Investments, nor LottVision Investments held any Shares, convertible securities, warrants or options or any outstanding derivative in respect of relevant securities of the Company.

Based on the audited consolidated financial statements of PAL for the two years ended 31 December 2010 and 2011 respectively, the revenue of PAL amounted to approximately HK\$12.2 million and HK\$25.7 million for 2010 and 2011 respectively, while the unaudited net liabilities of PAL amounted to approximately HK\$67.8 million as at 31 March 2012.

The acquisition of the remaining 20% equity interest in PAL has already been completed and is independent of the Transactions.

The Remaining Group will focus on its lottery business in the PRC and will continue to engage in the distribution of lottery terminals in the PRC through Beijing Telenet and its other lottery businesses in the PRC through PAL. Pursuant to the relevant Hong Kong accounting standards, both Beijing Telenet and Precious Success, which is interested in the entire equity interest of PAL, are accounted for as subsidiaries of the Company. The respective accounts, including the results and the assets and liabilities, of Beijing Telenet and Precious Success are consolidated with that of the Group.

Given (i) the scale of operations and size of revenue of Beijing Telenet; and (ii) the substantial reduction in the total liability of the Company immediately upon completion of the group reorganisation, the Directors consider that the Group will have sufficient operations upon completion of the Disposal Agreements to satisfy the requirements under 17.26 of the GEM Listing Rules.

As set out in this section above, the lottery terminal distribution business in the PRC has been contributing a small profit during the last two financial years while the lottery business in the PRC, although currently recording losses, management of the Group is committed to the revival of this business through the development of lottery products associated with the Licence. On the other hand, lottery terminal manufacturing operation has been making losses in the last two financial years and its prospect remains uncertain and further investments in the manufacturing operations may require significant additional working capital. In light of the above and taking into account the considerable debt burden and the increasing factory labour costs and overheads, the Company, through the currently contemplated group reorganisation, intends to realign the focus of the Group to lottery terminal distribution and its lottery businesses in the PRC, which require substantially less working capital, and divest the capital intensive manufacturing operations. Save for the Disposal Agreements, the Company has no intention to conduct any further disposal, downscaling or termination of its existing business as at the date of this announcement.

Accordingly, the Directors (other than the non-executive Directors and the independent non-executive Directors) consider the terms of the Intralot Agreement and the GCH Agreement (including the CB Repurchases) and the Intradak Exclusivity Undertaking and all Directors consider the terms of the Wu Sheng Exclusivity Undertaking, all of which form part of the aforesaid group reorganisation to reduce the overall liabilities of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To avoid any unnecessary delay in the group reorganisation timetable and in order not to complicate the existing group reorganisation procedures, the Company undertakes to conduct a share consolidation as soon as practicable after completion of the Open Offer.

The outstanding principal amount of the 2012 Convertible Bond (after completion of the Transactions) will be approximately HK\$431.6 million which will fall due on 13 December 2012. The Company would consider whether to raise equity, debt financing or a combination of both to satisfy its aforesaid payments obligations under the 2012 Convertible Bonds. In addition, the Company has negotiated and will continue to negotiate with the 2012 CB Holders for the purpose of seeking their consent to convert any remaining 2012 Convertible Bonds prior to/upon maturity, in accordance with the terms of the 2012 Convertible Bonds.

5. THE EXCLUSIVITY UNDERTAKINGS

To secure the supply of the Approved LVM and the business of Beijing Telenet and its role under the CSLA Supply Chain after the GCH Disposal Completion, on 13 August 2012, Beijing Telenet has entered into an unconditional exclusivity undertaking with Wu Sheng and a conditional exclusivity undertaking with Intradak respectively.

Pursuant to the Wu Sheng Exclusivity Undertaking, Wu Sheng granted an exclusive right to Beijing Telenet for procuring the Approved LVM mutually specified by Wu Sheng and Beijing Telenet for a term of one year. During the term of the Wu Sheng Exclusivity Undertaking, Wu Sheng shall solely supply the Approved LVM to Beijing Telenet at prices set in accordance with the existing pricing policy and shall not directly or indirectly, without the written consent of Beijing Telenet, supply the Approved LVM to (i) competitors or potential competitors of Beijing Telenet, (ii) Intradak; or (iii) any other third party enterprises, corporations or individuals other than Beijing Telenet. Wu Sheng further undertook that it shall not directly or indirectly compete with Beijing Telenet in connection with the supply of the Approved LVM. The Wu Sheng Exclusivity Undertaking also stipulates that the transactions to be carried out between Wu Sheng and Beijing Telenet will follow an unchanged pricing policy, since 2006. The Wu Sheng Exclusivity Undertaking is not conditional on the Transactions and/or the Intradak Exclusivity Undertaking or vice versa. The Wu Sheng Exclusivity Undertaking took effect upon signing.

Pursuant to the Intradak Exclusivity Undertaking, Intradak granted an exclusive right to Beijing Telenet for supplying the Approved LVM mutually specified by Intradak and Beijing Telenet for a term of one year. During the term of the Intradak Exclusivity Undertaking, Intradak shall solely procure the Approved LVM from Beijing Telenet and shall not directly or indirectly, without the written consent of Beijing Telenet, procure the Approved LVM from any other third party enterprises, corporations or individuals other than Beijing Telenet. The Intradak

Exclusivity Undertaking is conditional on the approval from the Shareholders other than Mrs. Ding and her associates and those who are required to abstain from voting in the EGM to consider and approve the Intradak Exclusivity Undertaking and such condition is not capable of waiver. For the avoidance of doubt, the Intradak Exclusivity Undertaking is not conditional on the Transactions and/or the Wu Sheng Exclusivity Undertaking or vice versa. In the event that the Intradak Exclusivity Undertaking becomes unconditional, it will take effect on the following Business Day irrespective of completion of the Transactions.

6. TERMINATION OF THE OUTSOURCE AGREEMENT

Reference is made to the announcement of the Company dated 26 June 2012 in relation to the Outsource Agreement. Pursuant to the Outsource Agreement, PAL Beijing outsourced the operation of certain of lottery business and the daily operation and administrative functions in the PRC to a company (the “**Contractor**”) wholly owned by Beijing Haiyin for a term of three years commencing on 1 July 2012 and ending on 30 June 2015.

Having entered into both the Outsource Agreement and the Disposal Agreements, the Remaining Group may not be able to fulfill the sufficiency of operation requirements under Rule 17.26 of the GEM Listing Rules and maintain the listing status of the Company on GEM. The Directors, after due and careful consideration of the risks and benefits brought about by each of the Outsource Agreement and the Disposal Agreements, had decided to terminate the Outsource Agreement in accordance with its terms by entering into a deed of termination dated 13 August 2012 between the parties to the Outsource Agreement and effective on the same day.

(II) PROPOSED OPEN OFFER ON THE BASIS OF THREE OFFER SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

1. THE OPEN OFFER

Details of the Open Offer are set out below:

Basis of Open Offer	:	Assured allotments of three Offer Shares for every one existing Share held by the Qualifying Shareholders on the Record Date
Number of Shares in issue	:	502,966,933 Shares
Number of outstanding Share Options	:	111,160,000 Share Options (including the Excluded Options)
Number of Offer Shares	:	Not less than 1,508,900,799 Offer Shares and not more than 1,729,046,799 Offer Shares, proposed to be offered to the Qualifying Shareholders

- Number of Offer Shares : Up to 128,205,128 Underwritten Shares to be underwritten by the Underwriters
- Up to 1,145,361,487 Underwritten Shares to be underwritten by Power Way; and
- immediately upon completion of the Open Offer, the Underwritten Shares to be subscribed by Power Way together with the Shares held or to be held by Melco LV and other non public shareholders shall not be more than 75% of the total shareholdings of the Company as enlarged by the Offer Shares
- Subscription Price for the Offer Shares : HK\$0.078 per Offer Share
- Aggregate nominal value of the Offer Shares : Not less than approximately HK\$15,089,008 and no more than approximately HK\$17,290,468
- Underwriters : Melco LV and Power Way

As at the date of this announcement, the outstanding 111,160,000 Share Options entitle the holders to subscribe for 111,160,000 Shares. The Underwriters and parties acting in concert with any of them are interested in 37,778,000 Excluded Options. Assuming full exercise of the subscription rights attaching to the Share Options (excluding the Excluded Options) on or before the Record Date, a total of 73,382,000 new Shares will fall to be issued, which will result in the issue of additional 220,146,000 Offer Shares.

The exercise of any subscription rights attaching to the Excluded Options respectively held by any of the Underwriters and/or parties acting in concert with any of them, from the date of this announcement to and including the completion date of the Open Offer, without prior consent of the Executive, will constitute a disqualifying transaction under the Takeovers Code and the Whitewash Waiver will not be granted or if granted will be invalidated.

As at the date of this announcement, the Underwriters and the parties acting in concert with any of them are interested in 37,778,000 Excluded Options. The Company has obtained undertakings from the holders of the Excluded Options not to exercise nor transfer the Excluded Options on or before the completion date of the Open Offer.

The undertakings

Each of the 2012 CB Holders and the holder of the Intralot 2013 Convertible Bonds has given an irrevocable undertaking in favour of the Company and the Underwriters not to exercise the conversion rights attached to the 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds held by it on or before the Record Date.

Each of the holders of the Excluded Options has given an irrevocable undertaking in favour of the Company and the Underwriters not to exercise the Excluded Options granted to him/her on or before the completion date of the Open Offer.

Based on the above, the maximum number of Offer Shares that may be issued under the Open Offer will be 1,729,046,799 Offer Shares.

As at the date of this announcement, save for the underwriting obligations of the Underwriters under the Underwriting Agreement, no Shareholders or the parties acting in concert with the Underwriters have indicated whether they will take up their assured entitlements under the Open Offer or not. As Melco LV is interested in 58,674,619 Shares as at the date of this announcement, Melco LV is entitled to subscribe for 176,023,857 Offer Shares. The underwriting obligations of Melco LV to underwrite not more than 128,205,128 Offer Shares is independent of and does not include any of Melco LV's entitlement to take up its entitled Offer Shares. Melco LV has not yet indicated whether it will take up its entitlement under the Open Offer.

As at the date of this announcement, save for (i) 111,160,000 Share Options; (ii) the 2012 Convertible Bonds in the principal amount of HK\$606,800,000 conferring rights entitling the holders of which to subscribe for 713,882,352 Conversion Shares; and (iii) the Intralot 2013 Convertible Bonds in the principal amount of HK\$277,175,310 conferring rights entitling the holders of which to subscribe for 279,692,542 Conversion Shares, the Company has no other outstanding warrants, options or convertible securities.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus with the Non-Qualifying Letter, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date and must not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates(s)) with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, on or before Thursday,

11 October 2012. Holders of Share Options (save and except for the Excluded Options) who wish to participate in the Open Offer should exercise their Share Options in accordance with their respective terms no later than the Latest Lodging Time.

Closure of register of members

The Company's register of members is expected to be closed from Friday, 12 October 2012 to Sunday, 14 October 2012, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

Terms of the Open Offer

Subscription Price

The Subscription Price is HK\$0.078 per Offer Share, payable in full when a Qualifying Shareholder applies for the Offer Shares.

The Subscription Price represents:

- (a) a discount of approximately 21.2% to the closing price of HK\$0.099 per Share quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 23.5% to the average of the closing prices of approximately HK\$0.102 per Share for the last five full trading days up to and including the Last Trading Day;
- (c) a discount of approximately 28.4% to the average of the closing prices of approximately HK\$0.109 per Share for the last ten full trading days up to and including the Last Trading Day;
- (d) a discount of approximately 6.0% to the theoretical ex-entitlement price of approximately HK\$0.083 per Share (assuming that all Shareholders take up their respective entitlements to the Offer Shares) based on the closing price of HK\$0.099 per Share quoted on the Stock Exchange on the Last Trading Day; and
- (e) a discount of approximately 9.3% to the theoretical ex-entitlement price of approximately HK\$0.086 (assuming that no Shareholders take up their respective entitlements to the Offer Shares and the Underwriters are called upon to subscribe for the Underwritten Shares subject to the terms and conditions under the Underwriting Agreement) based on the closing price of HK\$0.099 per Share quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the then market environment, the prevailing market price of the Shares, the financial position of the Group and the funding requirements in repaying the Power Way Loan and exploring potential investment opportunities. The Directors (other than the non-executive Directors and the independent non-executive Directors) consider the terms of the Open Offer and Subscription Price to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Basis of assured entitlement

Three Offer Shares for every existing Share held by a Qualifying Shareholder on the Record Date will be offered to the Qualifying Shareholders.

No application for excess Offer Shares

The invitation to subscribe for Offer Shares to be made to the Qualifying Shareholders will not be transferable. The Company has also decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements.

The absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements. However, having considered (i) the structure of the Open Offer was arrived at after arm's length negotiation between the Underwriters and the Company; (ii) the relatively thin discount of the theoretical ex-entitlement price to the prevailing market prices of the Shares (details of which are set out under paragraph headed "Terms of the Open Offer") provides no significant incentive for the Qualifying Shareholders to take up additional Offer Shares; (iii) those Qualifying Shareholders who choose to accept their respective entitlements under the Open Offer in full can maintain their respective existing shareholdings in the Company after the Open Offer; and (iv) the Open Offer already assures the Qualifying Shareholders who are optimistic about the future development of the Company to entitle to the Offer Shares in proportion to their shareholding, the Directors (excluding the non-executive Directors and the independent non-executive Directors) consider that the absence of excess application arrangement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriters as described in the section headed "Underwriting Arrangements" below.

Since no excess application procedure for the Offer Shares is available and Melco LV, being one of the Underwriters, is a substantial shareholder of the Company, the absence of an excess application procedure under the Open Offer must be specifically approved by the Independent Shareholders at the EGM in compliance with Rule 10.42(2) of the GEM Listing Rules.

Status of the Offer Shares

When allotted, issued and fully-paid, the Offer Shares will rank pari passu in all respects with the existing Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Offer Shares.

Rights of the Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. Prior to the despatch of the Prospectus Documents, the Company will make enquiries as to whether the offer or issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 17.41(1) of the GEM Listing Rules. If after making such enquiry the Board is of the opinion that it will be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly the Offer Shares will not be offered to the Non-Qualifying Shareholders and no application for the Offer Shares will be accepted from the Non-Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the application forms to them.

The basis for excluding the Non-Qualifying Shareholders, if any, from the Open Offer will be set out in the Prospectus to be issued. So long as the Non-Qualifying Shareholders are the Independent Shareholders, they are entitled to cast their votes on the resolution(s) in relation to the Open Offer and the Whitewash Waiver in the EGM.

Further details on the entitlement of the Overseas Shareholders will be made in the Prospectus Documents.

Share Certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer and the Underwriting Agreement, certificates for all Offer Shares are expected to be posted to successful applicants at their own risk on or before Thursday, 8 November 2012.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

2. WARNING OF THE RISKS OF DEALING IN SHARES

Existing Shares are expected to be dealt in on an ex-entitlement basis from Wednesday, 10 October 2012. If the Underwriters terminate the Underwriting Agreement (see the paragraph headed “Termination of the Underwriting Agreement” below), or if any of the conditions of the Open Offer and the Underwriting Agreement (see the section headed “Conditions of the Open Offer and the Underwriting Agreement” below) is not fulfilled, the Open Offer will not proceed.

3. REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

Pursuant to the loan agreement dated 14 July 2008 (as amended by supplemental agreements dated 1 December 2009, 21 March 2011 and 24 February 2012) entered into between Power Way and the Company, Power Way had advanced a loan in the sum of HK\$80.0 million to the Company and such loan bears interest at the rate of 5% per annum for the period up to 13 July 2010, and at the rate of 1% per annum for the period of 14 July 2010 to 14 July 2013, being its maturity date. Power Way provided the Power Way Loan to finance the Group’s acquisition, through Gain Advance, of the entire equity interest in KTeMS Co., Ltd. at the consideration of US\$12 million (equivalent to approximately HK\$93.6 million) in 2008. As at 31 May 2012, the Power Way Loan, which is the aggregate of the principal amount of such loan and the interest accrued thereon, amounted to approximately HK\$89,338,196. The Directors consider that the settlement of the Power Way Loan under the Underwriting Agreement through the Set Off will enable the Group to repay substantial part of the liabilities of the Company under the Power Way Loan without cash outflow and will allow the Group to reduce its gearing level.

Notwithstanding the view of the Directors that the Group has the financial ability to meet the interest payments on the Power Way Loan as they fall due, the Directors are mindful of the significant deterioration in economic and credit conditions that have affected the world economies in recent months. Given the uncertain economic outlook in the near to medium term, the Group is well conscious of the risk that the Company may not be able to obtain the necessary funding, either through debt or equity financing or both, to re-finance the Power Way Loan as and when it falls due.

The Directors, having taken the prudent approach in evaluating the current financial position of the Group, consider the Open Offer will allow the Group to (i) strengthen its capital base; (ii) improve its gearing ratio; (iii) remove the uncertainty over the Company’s financial position to pay all of the outstanding remaining balance under the Power Way Loan; (iv) save the future interest expense in connection with the Power Way Loan; and (v) provide an equitable means for the Shareholders to participate in the future development of the Company. In addition, the Directors consider that the Open Offer will provide additional working capital and strengthen the Group’s financial position. As set out in the unaudited interim results announcement of the Company for the six months ended 30 June 2012, the total net liabilities of the Group were approximately HK\$668.8 million as at 30 June 2012.

The Directors and the senior management of the Company have also explored other financing methods through discussions with and enquiries to certain financial institutions and placing agents on the possibility of debt financing and equity issuances, including but not limited to share placement and rights issue. However, the Company is in a net liability position, debt financing would result in the Company being subject to additional interest burden and further increase its gearing ratio and jeopardize the financial structure of the Company. Share placement would only be available to certain placees which may cause dilution effect to the existing Shareholders, and the Directors and the senior management were unable to procure underwriting support from independent underwriters to underwrite a rights issue of a similar size at a reasonable cost to the Company. In view of the above, the Directors considered that it would be more beneficial to the Company to raise long-term equity capital through the Open Offer rather than the aforesaid alternate means of financing. The Underwriting Agreement, in particular, the underwriting obligations of the Underwriters and the number of Underwritten Shares, was determined after arm's length discussion between the Company and the Underwriters. Therefore, the Directors (excluding the non-executive Directors and the independent non-executive Directors) consider that the Underwriting Agreement is in the interests of the Company and Shareholders as a whole.

The gross proceeds from the Open Offer are estimated to be not less than approximately HK\$58.4 million, of which HK\$48.4 million is subject to the Set Off (i.e. Scenario 2 as defined in the paragraph headed "Effect on shareholding structures of the Company as a result of the Open Offer") and not more than HK\$134.9 million (i.e. Scenario 3 as defined in the paragraph headed "Effect on shareholding structures of the Company as a result of the Open Offer"). Under Scenario 2, the minimum gross proceeds from the Open Offer of approximately HK\$58.4 million is estimated based on the Underwriters will take up 748,419,206 Offer Shares at HK\$0.078 per Offer Share, assuming (i) no Shareholders take up their entitlements under the Open Offer; and (ii) no exercise of the subscription rights attached to the outstanding Share Options. After deducting estimated expenses relating to the Open Offer, the net proceeds from the Open Offer will amount to not less than approximately HK\$56.9 million (equivalent to approximately HK\$0.076 per Offer Share). The Company intends to use the entire net proceeds from the Open Offer to repay the Power Way Loan.

Under Scenario 3 and Scenario 1 (as defined in the paragraph headed "Effect on shareholding structures of the Company as a result of the Open Offer"), the maximum gross proceeds of approximately HK\$134.9 million and the gross proceeds of approximately HK\$117.7 million from the Open Offer are estimated based on 1,729,046,799 Offer Shares and 1,508,900,799 Offer Shares will be issued at HK\$0.078 per Offer Share respectively, assuming, for Scenario 3, (i) all Shareholders take up their entitlements under the Open Offer; and (ii) full exercise of the subscription rights attaching to the Share Options (excluding the Excluded Options) on or before the Latest Lodging Time; and, for Scenario 1, (i) all Shareholders take up their respective entitlements to the Offer Shares; and

(ii) no subscription rights attached to the outstanding Share Options has been exercised. However, it is noted that most of the Share Options are out-of-money and substantially above the Share price of HK\$0.099 as quoted on the Stock Exchange on the Last Trading Day. After deducting estimated expenses relating to the Open Offer, the net proceeds from the Open Offer will amount to not more than approximately HK\$133.4 million and approximately HK\$116.2 million (both equivalent to approximately HK\$0.077 per Offer Share) for Scenario 3 and Scenario 1 respectively. The Company intends to use the net proceeds from the Open Offer to fully repay the Power Way Loan amounting to approximately HK\$89.3 million as at 31 May 2012. The remaining amount of the net proceeds from the Open Offer of HK\$44.1 million (under Scenario 3) and HK\$26.9 million (under Scenario 1) will be used as additional working capital to strengthen the Company's financial position and to develop its lottery business, including but not limited to, system upgrade for a high-frequency lottery game system in Chongqing, the development of its paperless lottery sales channels, such as mobile network and/or internet, and the balance for upgrading tele-betting system in Shandong and marketing expenses.

As at the date of this announcement, the Company has neither identified nor commenced any negotiations for any potential acquisitions.

4. CONDITIONS OF THE OPEN OFFER AND THE UNDERWRITING AGREEMENT

The Open Offer and completion of the Underwriting Agreement are conditional upon the satisfaction of the following conditions:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;

- (d) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (e) compliance with and performance of an irrevocable undertaking by each of the 2012 CB Holders and the holder of the Intralot 2013 Convertible Bonds in favour of the Company and the Underwriters not to exercise the conversion rights attached to the 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds, such undertaking shall be in the agreed form;
- (f) compliance with and performance of an irrevocable undertaking by each of the holders of the Excluded Options in favour of the Company and the Underwriters not to exercise the Excluded Options;
- (g) the Executive or his delegate granting the Whitewash Waiver to the Underwriters and parties acting in concert with any of them and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (h) the GCH Disposal Completion;
- (i) the Intralot Disposal Completion;
- (j) the passing by no later than the Prospectus Posting Date by the Shareholders (or, where appropriate, the Independent Shareholders) at the EGM, among other things, the following resolutions:
 - (i) an ordinary resolution to approve the Proposed Increase in Authorised Capital;
 - (ii) an ordinary resolution to approve the Open Offer; and
 - (iii) an ordinary resolution to approve the Whitewash Waiver;
- (k) all necessary consents and approvals required to be obtained on the part of Power Way in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (l) all necessary consents and approvals required to be obtained on the part of Melco LV in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (m) if applicable, all necessary consents and approvals required to be obtained by Melco in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

As at the date of this announcement, the relevant consents and approvals in conditions (k), (l) and (m) above identified are the respective board approvals of each of the parties to the Underwriting Agreement.

None of the conditions set out above are capable of being waived. If any of the above conditions is not satisfied by the Latest Time for Termination, completion of the Open Offer will not proceed. As the Open Offer is subject to the above conditions, it may or may not proceed accordingly.

The Board wishes to emphasise that the Open Offer is inter-conditional with Intralot Disposal Completion and GCH Disposal Completion which in turn are subject to the Independent Shareholders' approval including, among others, approval of the off-market repurchase of the Intralot 2013 Convertible Bonds and the GCH 2012 Convertible Bonds by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM. As such, there is no assurance of all the resolutions including but not limited to the above resolutions will be approved by the Independent Shareholders and all the conditions in the Intralot Agreement, the GCH Agreement and the Underwriting Agreement will be fulfilled. If any of the conditions precedent set out in the aforesaid agreements cannot be fulfilled, the Open Offer will not proceed. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

5. FUND-RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE ANNOUNCEMENT

The Company has not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

6. EXPECTED TIMETABLE OF THE OPEN OFFER

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that the Transactions will be approved at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2012

Despatch of circular of the Transactions and the Intradak Exclusivity Undertaking	Wednesday, 19 September
Latest time for lodging forms of proxy for the purpose of the EGM (<i>Note</i>)	Saturday, 6 October
Date of the EGM (<i>Note</i>)	Monday, 8 October

Publication of the EGM results announcement	Monday, 8 October
Last day of dealings in the Shares on a cum-entitlements basis	Tuesday, 9 October
First day of dealings in the Shares on an ex-entitlements basis	Wednesday, 10 October
Latest time for lodging transfers of the Shares in order to qualify for the Open Offer	4:30 p.m., Thursday, 11 October
Closure of register of members to determine the eligibility of the Open Offer	Friday, 12 October
The Record Date	Friday, 12 October
Register of members of the Company re-opens	Monday, 15 October
Registration of the Prospectus Documents	Wednesday, 17 October
The Prospectus Documents to be despatched on or about	Wednesday, 17 October
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m., Thursday, 1 November
Latest time for the Open Offer to become unconditional	6:00 p.m., Tuesday, 6 November
Announcement of results of the Open Offer	By 7:00 p.m., Wednesday, 7 November
Certificates for the Offer Shares expected to be despatched on or before	Thursday, 8 November
Dealings in the Offer Shares commence	Friday, 9 November

Note: Information in relation to (i) the latest time for lodging forms of proxy for the purpose of the EGM; and (ii) the time and location of the EGM will be included in the circular of the Transactions to be despatched to the Shareholders.

7. UNDERWRITING ARRANGEMENTS

The Underwriting Agreement

Date	:	14 August 2012
Underwriters	:	Melco LV and Power Way ^(Note)
Number of the Offer Shares	:	Not less than 1,508,900,799 Offer Shares and not more than 1,729,046,799 Offer Shares, proposed to be offered to the Qualifying Shareholders
Number of the Underwritten Shares	:	Melco LV has agreed to underwrite not more than 128,205,128 Underwritten Shares in the first place provided that the total subscription price for the Offer Shares to be taken up by Melco LV shall not exceed the amount of HK\$10 million and Power Way has agreed to underwrite not more than 1,145,361,487 Underwritten Shares in the second place provided that immediately upon completion of the Open Offer, the Underwritten Shares to be subscribed by Power Way together with the Shares held or to be held by Melco LV and other non public Shareholders shall not be more than 75% of the total shareholdings of the Company as enlarged by the Offer Shares
Commission	:	Nil
Aggregate nominal value of the Underwritten Shares	:	Not more than approximately HK\$12,735,666

Note: Underwriting does not fall within the ordinary course of business of the Underwriters. The Company has explored and held discussions with potential commercial underwriters in relation to the possibility of underwriting the Open Offer. However, the Company was unable to procure other underwriter(s) at acceptable costs to the Company.

As at the date of this announcement, (i) Melco LV, an indirect wholly-owned subsidiary of Melco, is a substantial shareholder of the Company; and (ii) Power Way is indirectly owned by Melco LV as to 58.70%. As at the date of this announcement, Melco LV is interested in 58,674,619 Shares, representing approximately 11.67% of the issued share capital of the Company, as at the date of this announcement, Melco LV is entitled to subscribe for 176,023,857 Offer Shares. The underwriting obligations of Melco LV to underwrite not more than 128,205,128 Offer Shares is independent of and does not include

any of Melco LV's entitlement to take up its entitled Offer Shares. Save for the underwriting obligations of the Underwriters under the Underwriting Agreement, no Shareholders or the parties acting in concert with any of the Underwriters have indicated whether they will take up their assured entitlements under the Open Offer or not.

The Underwritten Shares

As the number of Underwritten Shares is below that of the Offer Shares, the Open Offer is not fully underwritten. Subject to fulfillment of the conditions of the Open Offer and the Underwriting Agreement, the Open Offer will proceed regardless of the ultimate subscription level as there are no requirements for minimal levels of subscription pursuant to the Company's constitutional documents or the law of Cayman Islands. Having made reasonable enquiries, the Directors confirm that the Company has also complied with all the applicable statutory requirements regarding the minimal levels of subscription of the Open Offer. As at the date of this announcement, none of the substantial shareholders of the Company have undertaken to take up their respective entitlement to the Open Offer either in part or in full.

The Set Off

The Power Way Loan, being the aggregate of the principal amount of such loan and the interest accrued thereon, amounts to approximately HK\$89.3 million as at 31 May 2012. The aggregate Subscription Price required to be paid by Power Way under the Underwriting Agreement will be settled by way of set off against the Power Way Loan. The exact amount of the Power Way Loan to be set off will be equal to the product of the Subscription Price and the exact number of Offer Shares to be taken up by Power Way. The interest on the outstanding Power Way Loan from 1 June 2012 up to and including the date of completion of the Set Off will be settled by the Company in cash.

Effect on shareholding structures of the Company as a result of the Open Offer

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Open Offer and the Disposal Agreements becoming effective in the following five scenarios:

Scenarios	Assumptions
Scenario 1	(a) all Shareholders take up their respective entitlements to the Offer Shares; and (b) no subscription rights attached to the outstanding Share Options or conversion rights attached to the outstanding convertible bonds of the Company has been exercised.

- Scenario 2
- (a) no Shareholders take up their respective entitlements to the Offer Shares; and
 - (b) no subscription rights attached to the outstanding Share Options or conversion rights attached to the outstanding convertible bonds of the Company has been exercised.
- Scenario 3
- (a) all Shareholders take up their respective entitlements to the Offer Shares;
 - (b) all subscription rights attached to the outstanding Share Options (excluding the Excluded Options) have been exercised before the Latest Lodging Time and their respective entitlements to the Offer Shares have been taken up; and
 - (c) no conversion rights attached to the outstanding convertible bonds of the Company has been exercised.
- Scenario 4
- (a) the Underwriters and parties acting in concert with any of them take up their respective entitlements to the Offer Shares;
 - (b) no other Shareholders take up their respective entitlements to the Offer Shares; and
 - (c) no subscription rights attached to the outstanding Share Options on conversion rights attached to the outstanding convertible bonds of the Company has been exercised.
- Scenario 5
- (a) all Shareholders take up their respective entitlements to the Offer Shares;
 - (b) all subscription rights attached to the outstanding Share Options (excluding the Excluded Options) have been exercised before the Latest Lodging Time and their respective entitlements to the Offer Shares have been taken up; and
 - (c) the exercise of the conversion rights attached to the outstanding convertible bonds of the Company in full after the Record Date.

In the event that no Qualifying Shareholders subscribe for the Offer Share and the Underwriters are called upon to subscribe for the Underwritten Shares pursuant to its obligation and subject to the conditions under the Underwriting Agreement, the public float of the Company will decrease from approximately 58.03% as at the date of this announcement to 25.00% immediately upon completion of the Open Offer. Furthermore, the Underwriters will only take up 748,419,206 Offer Shares but not the fully underwritten 1,273,566,615 Offer Shares given one of the terms of the Underwriting Agreement requires, immediately upon completion of the Open Offer, the Underwritten Shares to be held and subscribed by the Underwriters and other non public Shareholders shall not be more than 75% of the total shareholding of the Company as enlarged by the Offer Shares.

	As at the date of this announcement		Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	No. of Shares	Approx. % of issued Shares	No. of Shares	Approx. % of issued Shares	No. of Shares	Approx. % of issued Shares	No. of Shares	Approx. % of issued Shares	No. of Shares	Approx. % of issued Shares	No. of Shares	Approx. % of issued Shares
Shareholders												
Whitewash Waiver applicants and their respective concert parties												
Melco LV	58,674,619	11.67%	234,698,476	11.67%	186,879,747	14.94%	234,698,476	10.18%	362,903,604	21.90%	704,705,219	25.05%
Power Way	-	0.00%	-	0.00%	620,214,078	49.56%	-	0.00%	589,581,744	35.58%	-	0.00%
Intralot	52,973,779	10.53%	211,895,116	10.53%	52,973,779	4.23%	211,895,116	9.19%	211,895,116	12.79%	228,869,764	8.13%
Firich ⁽¹⁾	12,977,498	2.58%	51,909,992	2.58%	12,977,498	1.04%	51,909,992	2.25%	51,909,992	3.13%	72,706,758	2.58%
GCH ⁽²⁾	20,787,042	4.13%	83,148,168	4.13%	20,787,042	1.66%	83,148,168	3.61%	83,148,168	5.02%	83,148,168	2.96%
Other ⁽³⁾	48,000	0.01%	192,000	0.01%	48,000	0.00%	192,000	0.01%	192,000	0.01%	192,000	0.01%
Sub-total	145,460,938	28.92%	581,843,752	28.92%	893,880,144	71.43%	581,843,752	25.24%	1,299,630,624	78.43%	1,089,621,909	38.73%
Directors and directors of the Group and their respective associates	78,664,000	15.64%	313,888,000	15.60%	78,472,000	6.27%	441,872,000	19.17%	78,472,000	4.73%	441,872,000	15.71%
Other Shareholders	278,841,995	55.44%	1,116,135,980	55.48%	279,033,995	22.30%	1,281,679,980	55.59%	279,033,995	16.84%	1,281,679,980	45.56%
Total	502,966,933	100.00%	2,011,867,732	100.00%	1,251,386,139	100.00%	2,305,395,732	100.00%	1,657,136,619	100.00%	2,813,173,889	100.00%
Public Shareholders ^{(1),(2),(4)}	291,867,493	58.03%	1,251,386,140	62.20%	312,846,535	25.00%	1,416,930,140	61.46%	414,284,155	25.00%	1,437,726,906	51.11%

Notes:

- (1) As Firich is not a connected person of the Company as defined under the GEM Listing Rules, Firich is a public Shareholder.
- (2) GCH is wholly owned by Mr. Chang, a former employee of Firich. As GCH is not a connected person of the Company upon completion of the Transactions as defined under the GEM Listing Rules, GCH is a public Shareholder upon completion of the Transactions.
- (3) “Other” under the “Whitewash Waiver applicants and their respective concert parties” category represents the spouse of a director of Power Way, who is not a Director or a director of members of the Group.
- (4) Public Shareholders comprise Firich, GCH, “Other” under the “Whitewash Waiver applicants and their respective concert parties” category and other Shareholders as at the date of this announcement and in all 5 scenarios, except for GCH being a non-public Shareholder as at the date of this announcement.

As at the date of this announcement, save for the underwriting obligations of the Underwriters under the Underwriting Agreement, no Shareholders or the parties acting in concert with the Underwriters have indicated they will take up their assured entitlements under the Open Offer or not.

As at the date of this announcement, Power Way is owned as to 58.70%, 28.87% and 12.43% by Melco LV, GCH and LottVision Investments, respectively. Pursuant to the Power Way Agreement, LottVision Investments has conditionally agreed to sell and Melco LV and GCH have conditionally agreed to purchase the 12.43% equity interest in Power Way held by LottVision Investments, completion of which is subject to completion of the Open Offer. However, completion of the disposal of 12.43% equity interest in Power Way by LottVision Investments is not a pre-condition of the Open Offer. Upon completion of the Power Way Agreement, Melco LV and GCH will be interested in approximately 67.03% and 32.97% of the equity interest in Power Way respectively. The Power Way Agreement is expected to be completed on the date when the Latest Time for Termination has been lapsed and provided that the Underwriting Agreement has not been terminated on or before the Latest Time for Termination. As at the date of this announcement, neither LottVision, which is interested in the entire equity interest of LottVision Investments, nor LottVision Investments held any Shares, convertible securities, warrants or options or any outstanding derivative in respect of relevant securities of the Company.

Termination of the Underwriting Agreement

Either of the Underwriters may terminate the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination, if at any time prior to the Latest Time for Termination:

- (a) in the reasonable opinion of any of the Underwriters, the success of the Open Offer will be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of any of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of any of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, will have constituted, in the reasonable opinion of any of the Underwriters, a material omission in the context of the Open Offer; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of this announcement, the circular in connection with the Open Offer, the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

either of the Underwriters shall be entitled by notice in writing to the Company and the other Underwriter, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriters terminate the Underwriting Agreement, the Open Offer will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriters.

General

The Prospectus Documents containing, among others, further details of the Open Offer, certain financial information and pro forma financial information of the Group, are expected to be sent to the Shareholders on or about Wednesday, 17 October 2012. The Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

8. WHITEWASH WAIVER

The taking up of (i) the Offer Shares to which the Underwriters and parties acting in concert with any of them are entitled to under the Open Offer, and (ii) the Underwritten Shares to be subscribed for by the Underwriters as permissible under the Underwriting Agreement, based on the assumption that no other Qualifying Shareholders subscribe for the Offer Shares, will result in the aggregate percentage of the shareholdings of the Underwriters and parties acting in concert with any of them in the Company being increased from approximately 28.92% to approximately 78.43% and will therefore give rise to a mandatory offer obligation on the part of the Underwriters and parties acting in concert with any of them under Rule 26 of the Takeovers Code for all the Shares and other securities issued by the Company not already held or agreed to be acquired by the Underwriters and parties acting in concert with any of them unless the Whitewash Waiver is obtained.

As at the date of this announcement, the Underwriters and parties acting in concert with any of them holds, owns, or has control or direction over the following Shares, convertible securities, warrants or options or any outstanding derivative in respect of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company:

- (a) Melco LV is interested in 58,674,619 Shares (representing approximately 11.67% of the issued share capital of the Company) and is one of the 2012 CB Holders holding the 2012 Convertible Bonds in the principal amount of HK\$399,505,732 which entitles Melco LV to subscribe for 470,006,743 Shares (representing approximately 93.45% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full;
- (b) Power Way is owned as to 58.70%, 28.87% and 12.43% by Melco LV, GCH and LottVision Investments, respectively;
- (c) Ms. Man Yim Ping, Anne, the spouse of Mr. Li Kin Keung, Dennis, a director of Power Way, who is not a Director or a director of members of the Group, is interested in 48,000 Shares (representing approximately 0.01% of the issued share capital of the Company as at the date of this announcement) and the directors of Melco LV and Power Way and parties acting in concert with any of them are interested in Share Options with subscription rights attached thereto, if exercised in full, would enable the option holders to subscribe for 37,778,000 Shares (representing approximately 7.51% of the issued share capital of the Company as at the date of this announcement);
- (d) GCH is interested in 20,787,042 Shares (representing approximately 4.13% of the issued share capital of the Company as at the date of this announcement) and the holder of the GCH 2012 Convertible Bonds in the principal amount of HK\$175,188,566, which entitles GCH to subscribe for 206,104,195 Shares (representing approximately 40.98% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full;
- (e) Intralot is interested in 52,973,779 Shares (representing approximately 10.53% of the issued share capital of the Company as at the date of this announcement) and the holder of the Intralot 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds which entitle Intralot to subscribe for 296,667,190 Shares (representing approximately 58.98% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full; and

- (f) Firich is interested in 12,977,498 Shares (representing approximately 2.58% of the issued share capital of the Company as at the date of this announcement) and the holder of the Firich 2012 Convertible Bonds, which entitles Firich to subscribe for 20,796,766 Shares (representing approximately 4.13% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full.

Save as disclosed above, the Underwriters and the parties acting in concert with any of them, which include LottVision and LottVision Investments, did not hold, own or has control or direction over any other Shares, convertible securities, warrants or options of the Company or any outstanding derivative in respect of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company. The Underwriters and parties acting in concert with any of them and the Shareholders who are involved in or interested in the Transactions will be required to abstain from voting in respect of the resolutions approving the Transactions (other than the Proposed Increase in Authorised Capital) at the EGM. As at the date of this announcement, the Underwriters and parties acting in concert with any of them own approximately 28.92% of the issued Shares.

Each of the parties above are deemed to be acting in concert with the Underwriters under the Takeovers Code. The Underwriters and parties acting in concert with any of them, which include LottVision and LottVision Investments, have not dealt in any Shares, convertible securities, warrants or options of the Company or any outstanding derivatives in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to this announcement.

An application will be made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM. The Underwriters and parties acting in concert with any of them and Shareholders who are involved in or interested in the Transactions will abstain from voting on the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver at the EGM.

It is one of the conditions of the Open Offer and the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Open Offer will not proceed.

The Directors (other than the non-executive Directors and the independent non-executive Directors) believe that the Open Offer, the Underwriting Agreement and the Whitewash Waiver, all of which form part of the group reorganisation to reduce the overall liabilities of the Group, are fair and reasonable and in the

interests of the Company and the Shareholders as a whole. The non-executive Directors of the Company and the independent non-executive Directors will first take into consideration of the advice of the independent financial adviser before making recommendation as to the fairness and reasonableness of the Whitewash Waiver.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Open Offer, the Underwriters and parties acting in concert with any of them will hold more than 50% of the voting rights in the Company. Hence, the Underwriters and persons acting in concert with any of them may increase their holding of voting rights in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer. However, any changes in the make-up of the group comprising the Underwriters and persons acting in concert with it that effectively result in a new group being formed or the balance of the group being changed significantly, may trigger an obligation to make a general offer under Rule 26.1 of the Takeovers Code.

(III) PROPOSED INCREASE IN AUTHORISED CAPITAL

The authorised share capital of the Company is HK\$20,000,000 comprising 2,000,000,000 Shares, of which 502,966,933 Shares are in issue as at the date of this announcement. The authorised unissued 1,497,033,067 Shares are insufficient for the issuance of the Offer Shares in full. The Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 to HK\$55,000,000 by the creation of additional 3,500,000,000 unissued Shares which will rank pari passu in all respects with the existing issued Shares. The Proposed Increase in Authorised Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. As at the date of this announcement, other than the issue of the Offer Shares, the Company does not have any present intention to issue any part of the Proposed Increase in Authorised Capital.

(IV) ADDITIONAL DISCLOSURE OF INTERESTS

As at the date of this announcement:

- (i) there was no person who had irrevocably committed himself/herself to vote for or against the resolutions to be proposed at the EGM to approve the Disposal Agreements (including the CB Repurchases), the Open Offer and the Underwriting Agreement (including the Whitewash Waiver);
- (ii) there was no arrangement, other than the CB Undertakings and the Excluded Options Undertakings, of the kind referred to in Note 8 of Rule 22 of the Takeovers Code exists between the Underwriters or parties acting in concert with them and any other person;

- (iii) save for the Power Way Agreement, there was no agreement, arrangement or undertaking between any of the Directors and any other person which is conditional or dependent on completion of or otherwise connected with the Disposal Agreements (including the CB Repurchases), the Open Offer and the Underwriting Agreement (including the Whitewash Waiver);
- (iv) there was no arrangement, other than the CB Undertakings and the Excluded Options Undertakings, referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of the Underwriters and which might be material to the transactions contemplated under the Disposal Agreements (including the CB Repurchases), the Open Offer and the Underwriting Agreement (including the Whitewash Waiver);
- (v) save for the Intralot Agreement, the GCH Agreement and the Underwriting Agreement, there are no agreements or arrangements to which any of the Underwriters are a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Disposal Agreements (including the CB Repurchases), the Open Offer and/or the Underwriting Agreement (including the Whitewash Waiver); and
- (vi) there was no Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company have been borrowed or lent by the Underwriters and parties acting in concert with any of them.

(V) IMPLICATION OF THE GEM LISTING RULES

The Disposal Agreements

As certain of the applicable percentage ratios under the Intralot Agreement as calculated under Rule 19.07 of the GEM Listing Rules exceed 75%, the Intralot Agreement constitutes a very substantial disposal for the Company under the GEM Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

Intralot, which, together with its associates, is interested in 52,973,779 Shares (representing approximately 10.53% of the issued share capital of the Company) as at the date of this announcement and is a substantial Shareholder. As such, the transactions contemplated under the Intralot Agreement also constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

As certain of the applicable percentage ratios under the GCH Agreement as calculated under Rule 19.07 of the GEM Listing Rules exceed 75%, the GCH Agreement constitutes a very substantial disposal for the Company under the GEM Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

GCH is a connected person of the Company by virtue of its being a substantial shareholder of Oasis Rich, an indirect 60%-owned subsidiary of the Company. As such, the transactions contemplated under the GCH Agreement also constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

The Intradak Exclusivity Undertaking

Mr. Ding, together with Mrs. Ding, are controlling shareholders of Beijing Haiyin and substantial shareholders (through Beijing Haiyin) of Beijing Telenet and Mr. Ding is a director of Beijing Telenet and indirectly, through Mrs. Ding, interested in 22,668,000 Shares as at the date of this announcement. Intradak is a connected person of the Company by virtue of it being owned as to 35% and 20% by Beijing Haiyin and Mr. Ding respectively as at the date of this announcement. As such, the entering into of the Intradak Exclusivity Undertaking constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Open Offer

Since the Open Offer will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Open Offer is conditional on the approval by Independent Shareholders at the EGM by a resolution on which the controlling Shareholders, if any, are required to abstain from voting in favour of the Open Offer. As at the date of this announcement, the Company is not aware of any Shareholder being a controlling Shareholder.

Given the Disposal Agreements (including the CB Repurchases), the Open Offer and the Underwriting Agreement (including the Whitewash Waiver) are inter-conditional of each other, Firich, GCH, Intralot, Melco LV and their respective associates and parties acting in concert with any of them and Shareholders who are involved in or interested in the Transactions will be required to abstain from voting in respect of the resolutions approving the Transactions at the EGM.

(VI) IMPLICATION OF THE TAKEOVERS CODE

Whitewash Waiver

The taking up of (i) the Offer Shares to which the Underwriters and parties acting in concert with any of them are entitled to under the Open Offer, and (ii) the Underwritten Shares to be subscribed by the Underwriters as permissible under the Underwriting Agreement, based on the assumption that no other Qualifying Shareholders subscribe for the Offer Shares, will result in the aggregate percentage shareholdings of the Underwriters and parties acting in concert with any of them in the Company being increased from approximately 28.92% to approximately 78.43%.

Accordingly, such an increase will give rise to a mandatory offer obligation under Rule 26 of the Takeovers Code for the Underwriters and parties acting in concert with any of them to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities issued by the Company not already held or agreed to be acquired by the Underwriters and parties acting in concert with any of them unless the Whitewash Waiver is obtained.

An application will be made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the EGM. The Underwriters and parties acting in concert with any of them and Shareholders who are involved in or interested in the Transactions will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM.

(VII) IMPLICATION OF THE REPURCHASE CODE

The CB Repurchases will constitute an off-market share repurchase under the Repurchase Code and must be approved by the Executive pursuant to Rule 2 of the Repurchase Code. Such approval, if given, will be conditional upon, amongst others, the approval of the CB Repurchases by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM. An application will be made to the Executive for the approval of the CB Repurchases pursuant to Rule 2 of the Repurchase Code.

As required by the Repurchase Code, the Underwriters and parties acting in concert with any of them and the Shareholders who are involved in or interested in the Transactions will abstain from voting on the resolution to approve the CB Repurchases and the Disposal Agreements at the EGM.

The Board wishes to emphasise that the Open Offer is inter-conditional with the Intralot Disposal Completion and the GCH Disposal Completion which in turn are subject to the Independent Shareholders' approval including, among others, approval of the off-market repurchase of the Intralot 2013 Convertible Bonds and the GCH 2012 Convertible Bonds by at least three-fourths of the

votes cast on a poll by Independent Shareholders in attendance in person or by proxy at the EGM. As such, there is no assurance of all the resolutions including but not limited to the above resolutions will be approved by the Independent Shareholders and all the conditions in the Intralot Agreement, the GCH Agreement and the Underwriting Agreement will be fulfilled. If any of the conditions precedent set out in the aforesaid agreements does not be satisfied, the Open Offer will not proceed. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

(VIII) GENERAL

The Independent Board Committee, comprising all non-executive Directors and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, will be established to consider the terms of the Disposal Agreements (including the CB Repurchases), the Intradak Exclusivity Undertaking, the Open Offer (including the absence of excess application arrangement under the Open Offer), the Underwriting Agreement (including the Whitewash Waiver), the Proposed Increase in Authorised Capital and the transactions contemplated thereunder and advise the Independent Shareholders as to whether the terms of the Disposal Agreements (including the CB Repurchases), the Intradak Exclusivity Undertaking, the Open Offer (including the absence of excess application arrangement under the Open Offer), the Underwriting Agreement (including the Whitewash Waiver), the Proposed Increase in Authorised Capital and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and its recommendation as to the voting, after taking into account the recommendation of the independent financial adviser.

In this connection, an independent financial adviser will be appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms under the the Disposal Agreements (including the CB Repurchases), the Intradak Exclusivity Undertaking, the Open Offer (including the absence of excess application arrangement under the Open Offer), the Underwriting Agreement (including the Whitewash Waiver), the Proposed Increase in Authorised Capital and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and its recommendation as to the voting. Further announcement will be made by the Company as and when the independent financial adviser is appointed.

Pursuant to Rule 8.2 of the Takeovers Code, a circular containing, inter alia, (i) further details of the Transactions and the Intradak Exclusivity Undertaking; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions and the Intradak Exclusivity Undertaking; (iii) the letter from an independent financial adviser to both the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the Intradak Exclusivity Undertaking; and (iv) the notice of EGM, shall be despatched to the Shareholders within 21 days of the date of this announcement or such later date as the Executive may approve. As additional time is required, among other things, to prepare for the financial information relevant to the Transactions for inclusion in the circular pursuant to the GEM Listing Rules, the Company will apply to the Executive for a waiver from compliance with Rule 8.2 of the Takeovers Code and to postpone the latest date to despatch the circular of the Transactions and the Intradak Exclusivity Undertaking from 4 September 2012 to 25 September 2012. The circular to be despatched in relation to the Transactions and the Intradak Exclusivity Undertaking will comply with the requirements under the GEM Listing Rules, the Takeovers Code and the Repurchase Code.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Open Offer and the Underwriting Agreement being satisfied.

(IX) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on Wednesday, 27 June 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on Wednesday, 15 August 2012.

DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“2012 CB Holders”	together, Firich, GCH, Intralot and Melco LV
“2012 Convertible Bonds”	the 0.1% convertible bonds due on 13 December 2012 in the principal amount of HK\$606,800,000, which is owned as to (i) HK\$399,505,732 by Melco LV; (ii) HK\$175,188,566 by GCH; (iii) HK\$17,677,251 by Firich; and (iv) HK\$14,428,451 by Intralot, conferring rights entitling the 2012 CB Holders to subscribe for 713,882,352 Conversion Shares upon exercise of the conversion rights attached to the 2012 Convertible Bonds in full

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Approved LVM”	the lottery vending machines with specification approved and selected by the CSLA upon Authentication from time to time
“Asset Transfer Agreement”	the agreement dated 7 September 2008 as amended by a supplemental agreement dated 26 September 2008 and entered into between Intralot and the Company in respect of transfer of certain assets, which include the Licence, from Intralot to the Company in return for Shares and the Intralot 2013 Convertible Bonds
“associate(s)”	has the same meaning as defined in the GEM Listing Rules
“Authentication”	the lottery vending machines approval and selection process conducted by the CSLA at the very beginning of the lottery vending machines procurement cycle that the authorised distributor must provide the specifications and models of lottery vending terminals to the CSLA for its evaluation and selection before supplying such particular approved model to the CSLA
“Beijing Haiyin”	Beijing Haiyin Huacai Information Technology Limited [#] (北京海熒華彩信息技術有限公司), a company established in the PRC and the holder of 37.5% equity interest in Beijing Telenet, which is owned as to 10.0%, 75.0%, 10.0% and 5.0% by Mr. Ding, Mrs. Ding, Mr. Li and an Independent Third Party respectively
“Beijing Huaying”	Beijing Hua Ying Feng Cai Technology Ltd. [#] (北京華盈風彩科技有限公司), a company established in the PRC and wholly owned by PAL Beijing
“Beijing Telenet”	Beijing Telenet Information Technology Ltd. [#] (北京電信達信息技術有限公司), a company established in the PRC, 52.5% of the entire equity interest of which is indirectly beneficially owned by the Company and the remaining 5.0%, 5.0% and 37.5% of the entire equity interest of which are owned by Mr. Ding, Mr. Li and Beijing Haiyin respectively
“Beijing Telenet Articles”	the articles of association of Beijing Telenet
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licenced banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“CB Repurchases”	the repurchase of the Intralot 2013 Convertible Bonds and the GCH 2012 Convertible Bonds by the Company pursuant to the Intralot Agreement and the GCH Agreement, respectively
“CB Undertakings”	the irrevocable undertakings to be given by each of the 2012 CB Holders and the holder of the Intralot 2013 Convertible Bonds in favour of the Company and the Underwriters not to exercise the conversion rights attached the 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds respectively on or before the Record Date
“Company”	MelcoLot Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the same meaning as defined in the GEM Listing Rules
“Conversion Shares”	the new Shares to be allotted and issued upon the exercise of conversion rights attached to the 2012 Convertible Bonds and/or the Intralot 2013 Convertible Bonds
“CSLA”	the China Sports Lottery Administration Centre of the PRC, the exclusive sports lottery operator responsible for the administration of the issuance of sports lotteries in the PRC at a national level
“CWL”	the China Welfare Lottery Issuance Centre of the PRC, the exclusive welfare lottery operator responsible for the administration of the issuance of welfare lotteries in the PRC at a national level

“Deed of Assignment and Novation”	the deed to be entered into by Intralot, the Company and PAL upon Intralot Disposal Completion for the purpose of, among other matters, assignment of rights and novation of obligations of the Company under the Licence Agreement
“Deed of Assignment and Novation of Supply Agreement”	the deed to be entered into by Intralot, the Company and PAL upon the Intralot Disposal Completion for the purpose of, among other matters, assignment of rights and novation of obligations of the Company under the Supply Agreement
“Director(s)”	the director(s) of the Company
“Disposal Agreements”	together, the GCH Agreement and the Intralot Agreement
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Disposal Agreements (including the CB Repurchases), the Intradak Exclusivity Undertaking, the Open Offer, the Underwriting Agreement (including the Whitewash Waiver) and the Proposed Increase in Authorised Capital
“Excluded Options”	a total of 37,778,000 Share Options granted to parties acting in concert with any of the Underwriters
“Excluded Options Undertakings”	the irrevocable undertakings given by each of the holders of the Excluded Options in favour of the Company and the Underwriters not to exercise the Excluded Options granted to him/her on or before the completion date of the Open Offer
“Exclusivity Undertakings”	the Wu Sheng Exclusivity Undertaking and the Intradak Exclusivity Undertaking
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“Firich”	Firich Enterprises Co., Ltd., a company with its shares listed on the Taiwan Gre Tai Securities Market, a Shareholder holding 12,977,498 Shares (representing approximately 2.58% of the issued share capital of the Company as at the date of this announcement) and the holder of the Firich 2012 Convertible Bonds in the principal amount of HK\$17,677,251, which entitles Firich to subscribe for 20,796,766 Shares (representing approximately 4.13% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full
“Firich 2012 Convertible Bonds”	the 2012 Convertible Bonds in the principal amount of HK\$17,677,251, which entitles Firich to subscribe for 20,796,766 Conversion Shares upon the exercise of the conversion rights attached thereto in full
“Firich International”	Firich International Co., Ltd., a wholly-owned subsidiary of Firich
“GA Sale Shares”	such number of issued shares in Gain Advance, representing the entire issued share capital of Gain Advance beneficially owned by Rising Move, a direct wholly-owned subsidiary of the Company
“Gain Advance”	Gain Advance Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“GCH”	Global Crossing Holdings Ltd., a company incorporated in the Independent State of Samoa with limited liability, a Shareholder holding 20,787,042 Shares (representing approximately 4.13% of the issued share capital of the Company as at the date of this announcement), the holder of the GCH 2012 Convertible Bonds in the principal amount of HK\$175,188,566, which entitles GCH to subscribe for 206,104,195 Conversion Shares (representing approximately 40.98% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full, the shareholder of approximately 32.86% of the entire issued share capital of Oasis Rich and a wholly owned subsidiary of Universal Rich

“GCH 2012 Convertible Bonds”	the 2012 Convertible Bonds in the principal amount of HK\$175,188,566 which entitles GCH to subscribe for 206,104,195 Conversion Shares upon exercise of the conversion rights attached thereto in full
“GCH Agreement”	the agreement dated 26 June 2012 and entered into between GCH and the Company in respect of the GCH Disposal
“GCH Disposal”	the disposal of the OR Sale Shares by the Company pursuant to the GCH Agreement
“GCH Disposal Completion”	completion of the GCH Disposal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing committee 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 from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established which comprises of all the non-executive Directors and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who have no direct or indirect interest in the Disposal Agreements (including the CB Repurchases), the Intradak Exclusivity Undertaking, the Open Offer, the Underwriting Agreement (including the Whitewash Waiver) and the Proposed Increase in Authorised Capital
“Independent Shareholders”	the Shareholders, other than (i) Melco LV, Intralot, Firich and GCH together with their respective associates and parties acting in concert with any of them; (ii) those who are involved in or interested in the Transactions; and (iii) those who are required to abstain from voting in the EGM to consider and approve the Transactions under the GEM Listing Rules, the Takeovers Code and the Repurchase Code

“Independent Third Party(ies)”	person(s) and their respective associates or, in the case of companies, their ultimate beneficial owner(s) and their respective associates, who are independent of and not connected with the Company and its subsidiaries and their respective connected persons
“Intradak”	Beijing Intradak System Technology Co., Ltd.# (北京英特達系統技術有限公司), a company established in the PRC with limited liability and owned as to 35%, 20% and 45% by Beijing Haiyin, Mr. Ding and an Independent Third Party respectively
“Intradak Exclusivity Undertaking”	the conditional exclusivity undertaking entered into between Beijing Telenet and Intradak dated 13 August 2012 in respect of Beijing Telenet’s exclusive rights to supply the Approved LVM mutually specified by Beijing Telenet and Intradak to Intradak
“Intralot”	Intralot International Limited, a company incorporated in the Republic of Cyprus with limited liability and a wholly-owned subsidiary of Intralot S.A., a substantial Shareholder holding 52,973,779 Shares (representing approximately 10.53% of the issued share capital of the Company as at the date of this announcement), the holder of the Intralot 2012 Convertible Bonds and the Intralot 2013 Convertible Bonds
“Intralot 2012 Convertible Bonds”	the 2012 Convertible Bonds in the principal amount of HK\$14,428,451, which entitles Intralot thereof to subscribe for 16,974,648 Conversion Shares (representing approximately 3.37% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full
“Intralot 2013 Convertible Bonds”	the 0.1% convertible bonds due on 9 December 2013 in the principal amount of HK\$277,175,310, which entitles Intralot thereof to subscribe for 279,692,542 Conversion Shares (representing approximately 55.61% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full
“Intralot Agreement”	the agreement dated 26 June 2012 and entered into between Intralot, Rising Move and the Company in respect of the Intralot Disposal

“Intralot Disposal”	the disposal of the GA Sale Shares and the PS Sale Shares by Rising Move to Intralot pursuant to the Intralot Agreement
“Intralot Disposal Completion”	completion of the Intralot Disposal
“Intralot S.A.”	Intralot S.A. Integrated Lottery Systems and Services, a company with its shares listed on the Athens Exchange and the holding company of Intralot
“Intralot Supplemental Agreements”	the Second Supplemental Agreement, the Supplemental SLA, the Deed of Assignment and Novation, the Deed of Assignment and Novation of Supply Agreement and the Precious Success Shareholders Agreement
“Last Trading Day”	26 June 2012, being the last full trading day prior to the release of this announcement
“Latest Lodging Time”	4:30 p.m. on 11 October 2012 or such other date and/or time as the Company may reasonably decide as the latest time for lodging transfer of the Shares and/or exercising the Share Options (excluding the Excluded Options) in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on 1 November 2012 or such later time or date as the Company may reasonably decide (which shall not be later than 31 December 2012), being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	6:00 p.m. on the third Business Day following (but excluding) the Latest Time for Acceptance or such later time or date as the Underwriters may reasonably decide and inform the Company in writing, being the latest time to terminate the Underwriting Agreement
“Licence”	the non-exclusive licence right to use the most current version of certain computer software programs and the documentations for projects related to the CSLA and the non-exclusive licence right to use the most current version of certain computer software programs and the documentations for projects related to the CWL
“Licence Agreement”	the agreement dated 9 December 2008 entered into between Intralot and the Company, pursuant to which Intralot granted the Company the exclusive rights to use and sublicense the Licence

“LottVision”	LottVision Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Singapore Exchange Securities Trading Limited
“LottVision Investments”	LottVision Investments Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of LottVision
“Melco”	Melco International Development Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Main Board of the Stock Exchange and a substantial Shareholder
“Melco LV”	Melco LottVentures Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Melco, a substantial Shareholder holding 58,674,619 Shares (representing approximately 11.67% of the issued share capital of the Company as at the date of this announcement) and the holder of the 2012 Convertible Bonds in the principal amount of HK\$399,505,732, which entitles Melco LV to subscribe for 470,006,743 Conversion Shares (representing approximately 93.45% of the issued share capital of the Company as at the date of this announcement) upon the exercise of the conversion rights attached thereto in full
“Mr. Chang”	Mr. Chang Tung-Bing, a former employee of Firich and the holder of the entire equity interest in Universal Rich, which, in turn, holds the entire equity interest in GCH
“Mr. Ding”	Mr. Ding Jingge, a substantial shareholder of Beijing Haiyin, a shareholder and a director of Beijing Telenet and a substantial shareholder of Intradak
“Mr. Li”	Mr. Li Xuefeng, a substantial shareholder of Beijing Haiyin and a shareholder and a director of Beijing Telenet
“Mrs. Ding”	the spouse of Mr. Ding
“Non-Qualifying Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Open Offer

“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Open Offer
“Oasis Rich”	Oasis Rich International Ltd., a company incorporated in the Republic of Mauritius with limited liability and an indirect 60%-owned subsidiary of the Company as at the date of this announcement
“Offer Share(s)”	the new Share(s) to be allotted and issued under the Open Offer, which will be a total of not less than 1,508,900,799 Shares and not more than 1,729,046,799 Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of 3 Offer Shares for every existing Share held by the Qualifying Shareholders on the Record Date on the terms to be set out in the Prospectus Documents
“OR Sale Shares”	420,000 shares in Oasis Rich, representing 60% of the entire issued share capital of Oasis Rich beneficially owned by the Company as at the date of this announcement
“Outsource Agreement”	the outsource agreement dated 26 June 2012 (as supplemented by the supplemental agreement to the Outsource Agreement entered into by the parties to the Outsource Agreement on the even date) and entered into between PAL Beijing and Beijing Yobit Games Limited, a company established in the PRC with limited liability and wholly owned by Beijing Haiyin
“Overseas Shareholder(s)”	the Shareholder(s) with registered address on the register of members of the Company outside Hong Kong at the close of business on the Record Date
“PAL”	PAL Development Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“PAL Beijing”	PAL (Beijing) Information Technology Ltd.# (寶加(北京)信息技術有限公司), a company established in the PRC and is indirectly beneficially wholly-owned by the Company
“PAL Beijing Group”	PAL Beijing, Beijing Huaying and Shandong Kai Chuan Ji Yuan
“Power Way”	Power Way Group Limited, a company incorporated in the British Virgin Islands with limited liability and the equity interest of which is owned as to approximately 58.70%, 28.87% and 12.43% by Melco LV, GCH and LottVision Investments, respectively as at the date of this announcement
“Power Way Agreement”	a sale and purchase agreement dated 19 September 2011 as amended by a supplemental agreement dated 18 January 2012 and entered into among Melco LV, GCH and LottVision Investments in relation to the acquisition by Melco LV and GCH of the 12.43% equity interest in Power Way held by LottVision Investments
“Power Way Loan”	the aggregate of the principal amount of loan and the interest accrued thereon owed by the Company to Power Way of approximately HK\$89,338,196 as at 31 May 2012
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administration Region of the PRC and Taiwan
“Precious Success”	Precious Success Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Precious Success Shareholders Agreement”	the shareholders’ agreement to be entered into on the Intralot Disposal Completion among Intralot, Rising Move and Precious Success to regulate their relationship and to record the respective rights and obligations as shareholders of Precious Success with respect to finance, management and operations

“Proposed Increase in Authorised Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 to HK\$55,000,000 by the creation of additional 3,500,000,000 unissued Shares
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the application form to be used by the Qualifying Shareholders to apply for the Offer Shares
“Prospectus Posting Date”	17 October 2012 or such later date as the Company may accordingly decide for the despatch of the Prospectus Documents
“PS Sale Shares”	such number of issued shares in Precious Success, representing 49% of the entire issued share capital of Precious Success beneficially owned by Rising Move
“Qualifying Shareholders”	the Shareholders, other than the Non-Qualifying Shareholder(s), whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	12 October 2012, or such later date the Company may reasonably decide for the determination of the entitlements under the Open Offer
“Remaining Business”	the operations of (i) distribution of lottery vending machines in the PRC; and (ii) conduct of lottery business in the PRC
“Remaining Group”	the Company and its subsidiaries immediately upon completion of the Disposal Agreements, which are expected to be principally engaged in the Remaining Business
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Rising Move”	Rising Move International Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

“Second Supplemental Agreement”	the second supplemental agreement to be entered into between Intralot and the Company on Intralot Disposal Completion for the purpose of alteration of certain terms of the Asset Transfer Agreement
“Set Off”	the set off of the Power Way Loan as at 31 May 2012 in order to settle the underwriting and payment obligations of Power Way in accordance with the Underwriting Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shandong Kai Chuan Ji Yuan”	Shandong Kai Chuan Ji Yuan Electronic and Information Technology Ltd# (山東省開創紀元電子商務信息有限公司), a company established in the PRC and owned as to 65% of its equity interest by Beijing Huaying
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Share Options”	the 111,160,000 share options granted under the share option scheme approved by the Shareholders on 20 April 2002 outstanding as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.078 per Offer Share
“substantial shareholder(s)”	has the meaning as defined in the GEM Listing Rules
“Supplemental SLA”	the supplemental agreement to be entered into between Intralot and the Company on Intralot Disposal Completion for the purpose of alteration of certain terms of the Licence Agreement
“Supply Agreement”	the agreement dated 15 July 2010 entered into between Intralot and the Company, pursuant to which Intralot agreed to deliver, install, implement, customise, test and maintain hardware, software and services for the CWL project in Chongqing, the PRC

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Transactions”	together, the Disposal Agreements (including the CB Repurchases), the Open Offer, the Underwriting Agreement (including the Whitewash Waiver) and the Proposed Increase in Authorised Capital
“Underwriters”	together, Melco LV and Power Way
“Underwriting Agreement”	the agreement dated 14 August 2012 and entered into among the Underwriters and the Company in relation to the Open Offer
“Underwritten Shares”	1,273,566,615 Untaken Shares to be underwritten by the Underwriters of which a maximum of 128,205,128 Untaken Shares will be underwritten by Melco LV and a maximum of 1,145,361,487 Untaken Shares will be underwritten by Power Way pursuant to the terms of the Underwriting Agreement
“Universal Rich”	Universal Rich Holdings Limited, a company incorporated in the Independent State of Samoa with limited liability and the holder of the entire equity interest in GCH, the entire issued shares of which are owned by Mr. Chang
“Untaken Shares”	those Offer Shares not taken up by the Shareholders
“Whitewash Waiver”	a waiver from the obligation of the Underwriters and the parties acting in concert with any of them to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Underwriters and the parties acting in concert with any of them as a result of the underwriting of the Offer Shares under the Underwriting Agreement in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
“Wu Sheng”	Wu Sheng Computer Technology (Shanghai) Co., Ltd.# (伍盛計算機科技(上海)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Oasis Rich

“Wu Sheng Exclusivity Undertaking”	the exclusivity undertaking entered into between Beijing Telenet and Wu Sheng dated 13 August 2012 in respect of Beijing Telenet’s exclusive right to procure the Approval LVM mutually specified by Wu Sheng and Beijing Telenet from Wu Sheng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the United States of America dollar(s), the lawful currency of the United States of America
“%”	per cent.

In this announcement, unless otherwise specified, amounts in RMB and US\$ are converted to HK\$ at conversion rates of HK\$1.22 = RMB 1.00 and HK\$7.80 = US\$1.00, respectively for illustration only. No representation was made that any amounts in RMB and US\$ could have been or could be converted into HK\$ at such rate or any other rates.

the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By Order of the Board
MelcoLot Limited
Ko Chun Fung, Henry
Executive Director and Chief Executive Officer

Hong Kong, 14 August 2012

As at the date of this announcement, the Board consists of two Executive Directors, namely Mr. Ko Chun Fung, Henry and Mr. Chrysafidis, Evangelos, two Non-executive Directors, namely Mr. Chan Sek Keung, Ringo (Chairman) and Mr. Wang, John Peter Ben, and three Independent Non-executive Directors, namely Mr. Tsoi, David, Mr. Pang Hing Chung, Alfred and Mr. So Lie Mo, Raymond.

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of GEM’s website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.melcolot.com.