

LOTTVISION LIMITED
(Incorporated in Bermuda)
(Company Registration Number: 32308)

PROPOSED CAPITAL REORGANISATION AND PROPOSED PLACEMENT OF 20,000,000 NEW ORDINARY SHARES (“PROPOSED PLACEMENT”)

A. INTRODUCTION

The Board of Directors of Lottvision Limited (the "**Company**") wishes to announce the following:

- (a) in connection with (i) the Proposed Placement, and (ii) the minimum trading price requirement to be imposed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Company wishes to undertake a capital reorganisation exercise ("**Proposed Capital Reorganisation**") in the manner set out in Section B1; and
- (b) the Company had on December 18, 2014 entered into placement agreements ("**Placement Agreements**") with each of Deng Jiaoyan, Li Xiaomin, Tian Heng and Zhu Lin (collectively, the "**Placees**"), whereby the Placees, subject to the approval and completion of the Proposed Capital Reorganisation, have agreed to subscribe for the new ordinary shares in the capital of the Company opposite their respective names in the manner set out in Section B2 below.

B. DETAILS OF THE PROPOSED PLACEMENT AND PROPOSED CAPITAL REORGANISATION

B1. Proposed Capital Reorganisation

The Company intends to undertake the Proposed Capital Reorganisation as follows:

Share Consolidation

- (a) every forty (40) ordinary shares of HK\$0.07 each in the issued and unissued share capital of the Company prior to the Proposed Share Consolidation (as defined at the end of this paragraph (a)) having become effective ("**Existing Shares**"), be consolidated into one (1) consolidated share of HK\$2.80 ("**Consolidated Share**") in the issued and unissued share capital of the Company ("**Proposed Share Consolidation**") and if it shall happen that any person shall become entitled to fractions of a Consolidated Share, such fractions may be dealt with in accordance with the Bye-laws and all applicable laws;

Capital Reduction

- (b) subject to and forthwith upon the Proposed Share Consolidation having become effective, the reduction of the issued and paid-up share capital of the Company from HK\$123,987,925.60 to HK\$4,428,140.20 by cancelling the paid-up capital of the Company to the extent of HK\$2.70 on each of the issued Existing Share such that the par value of each issued Existing Share will be reduced from HK\$2.80 to HK\$0.10 (the "**Issued Share Capital Reduction**"). The authorised share capital of the Company will also be reduced by reducing the par value of all Existing Shares from HK\$2.80 each to HK\$0.10 each resulting in the reduction of the authorised share capital of the Company from HK\$175,000,000

divided into 62,500,000 Existing Shares of par value HK\$2.80 to HK\$6,250,000 divided into 62,500,000 Existing Shares of par value HK\$0.10 each (together with the Issued Share Capital Reduction, the **Capital Reduction**”);

Capital Increase

- (c) forthwith upon the Proposed Capital Reduction becoming effective, the authorised share capital of the Company will be increased from HK\$6,250,000 divided into 62,500,000 shares of par value of HK\$0.10 each to HK\$175,000,000 divided into 1,750,000,000 shares of par value HK\$0.10 each by the creation of 1,687,500,000 shares of HK\$0.10 each (“**Capital Increase**”). It is not intended for the par value reduction to lead to a reduction in the authorised share capital, which is currently HK\$175,000,000;

Credit to contributed surplus account

- (d) The credit amount arising from the Issued Share Capital Reduction will be credited to the contributed surplus account of the Company and the Directors will be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).

Upon the Proposed Capital Reorganisation becoming effective, there will be no change in the percentage level of shareholding of each registered holder of Shares (“**Shareholder**”) as a result of the Proposed Capital Reorganisation. The Shares of par value HK\$0.10 each will rank *pari passu* in all respects with each other. Other than the expenses incurred in relation to the Proposed Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

The Proposed Capital Reorganisation will not involve the diminution of any liability in respect of the unpaid capital or the payment to any Shareholders of any fully paid-up share capital of the Company. As at 31 March 2014, the net equity position of the Company before and after the Proposed Capital Reorganisation is HK\$102,210,000 and HK\$102,210,000 respectively. As at 30 September 2014, the net equity position of the Company before and after the Proposed Capital Reorganisation is HK\$111,538,000 and HK\$111,538,000 respectively. The amount of credit arising from the Proposed Capital Reduction will be transferred to the contributed surplus account of the Company, and this will have no impact on the net equity position of the Company.

The Proposed Capital Reorganisation will also not result in a return of capital or cash to Shareholders.

B2. Proposed Placement

On December 18, 2014, the Company had entered into Placement Agreements, whereby the Placees have agreed to subscribe for the following respective amounts of new ordinary shares in the capital of the Company (“**Placement Shares**”) (totaling 20,000,000 new Placement Shares) at the issue price of S\$0.32 per Placement Share, subject to and upon the terms of the Placement Agreements:-

Name of Placee	Number of Placement Shares	Details on how the Placee was identified	Background and rationale for the Placee's subscription of the Placement Shares
Deng Jiaoyan	5,000,000	Introduced through Xu Haimin. There was no introducer fee.	Deng Jiaoyan is currently and has been an accountant at Chongqing Kangzhongwang Pharmaceutical Company since 2009. From 2005 to 2009, she was an accountant at Chongqing Ba County Grain Bureau. She has invested in the Placement Shares for private investment purposes.
Li Xiaomin	5,000,000	Introduced through Paul Gao, There was no introducer fee.	Li Xiaomin is currently and has been a Technician of Jiangsu Province Television Station since 2007. From 2003 to 2006, he was a Sales Manager of for HongKong Panda Technology Company. He has invested in the Placement Shares for private investment purposes.
Tian Heng	5,000,000	Introduced through Xu Haimin. There was no introducer fee.	Tian Heng is currently and has been a freelance investor since 2007. From 2001 to 2006, he was a Sales Manager of Sichuan Zhonlin Technology Limited. He has invested in the Placement Shares for private investment purposes.
Zhu Lin	5,000,000	Introduced through Xu Haimin. There was no introducer fee.	Zhulin is currently and has been retired since 2007. From 1986 to 2007, she was a Director of Human Resource Department of Sichuan Xuhua Pharmaceutical Company. From 1977 to 1986. she was working as a front line Director for Chengdu Forth Cotton Plant. She has invested in the Placement Shares for private investment purposes.

The Proposed Placement is conditional upon the completion of the Proposed Capital Reorganisation. As at the date of this Announcement, the volume weighted average price for trades done on the ordinary shares in the capital (“**Shares**”) of the Company on the SGX-ST for the full market day on December 17, 2014 (being the market day preceding the date on which the Placement Agreements were signed) is of S\$0.008. Assuming that the completion of the Proposed Capital Reorganisation in the manner set out in Section B1 above takes place at the date of this Announcement, the volume weighted average price for trades done on the Shares on the SGX-ST for the full market day on December 17, 2014 (being the market day preceding the date on which

the Placement Agreements were signed) is estimated to be S\$0.32. As such, assuming the completion of the Proposed Capital Reorganisation in the manner set out in Section B1 above, the issue price of S\$0.32 for each Placement Share would represent no discount to the estimated post-reorganisation volume weighted average price of S\$0.32 for trades done on the Shares of the Company on the SGX-ST for the full market day on December 17, 2014 (being the market day preceding the date on which the Placement Agreements were signed).

The Placees have no connection (including business relationships) with the Company, its Directors and substantial shareholders. Under the terms of the Placement Agreement, each Placee has represented, warranted and undertaken to and for the benefit of the Company, *inter alia*, that they are not acting in concert with any other Placee or shareholder of the Company in relation to the Shares.

Assuming the completion of the Proposed Capital Reorganisation in the manner set out in Section B1 above, when completed, the Proposed Placement will increase the issued and paid up share capital of the Company to 20,000,000 Shares.

Assuming the completion of the Proposed Capital Reorganisation in the manner set out in Section B1 above, the Placement Shares will represent (i) approximately 45.17% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and (ii) approximately 31.12% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares. The Placement Shares when issued and fully paid will rank *pari passu* in all respects with the existing Shares of the Company.

The Placement is being made in reliance on the exemption provided under Section 272B of the Securities and Futures Act (Chapter 289) (the "SFA"). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

Under the Placement Agreements, each of the Placees have undertaken not to sell, transfer, assign, dispose or realise or otherwise reduce any interests in or create any encumbrance over the Placement Shares for a period of six months from the date of completion of the Proposed Placement.

B3. Shareholders' Approval

The Company intends to convene a special general meeting ("SGM") to seek the approval of Shareholders for the Proposed Placement and the Proposed Capital Reorganisation. A circular containing information on the Proposed Placement and the Proposed Capital Reorganisation, together with a notice of the SGM, will be despatched to Shareholders in due course. The Company will be applying to the SGX-ST for the dealing in, listing and quotation of the Placement Shares on the Official List of the SGX-ST and will make the necessary announcements once the approval-in-principal of the listing and quotation of the Placement Shares have been obtained from the SGX-ST.

C. CONDITIONS PRECEDENT

C1. Proposed Capital Reorganisation

The implementation of the Proposed Capital Reorganisation is subject to, *inter alia*, the following:

- (a) approval of the Shareholders for the Proposed Capital Reorganisation by way of a SGM, that is to say, the Proposed Capital Reorganisation has to be approved by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, present and voting at the SGM (either voting in person or by duly authorized corporate representative or by proxy) of which not less than twenty-one (21) clear days' notice shall have been given;
- (b) compliance with relevant legal procedures and requirements under Bermuda laws and Singapore laws (if any) to effect the Proposed Capital Reorganisation, including but not limited to the publication of a notice in an appointed newspaper in Bermuda at a date not more than thirty (30) days and not less than fifteen (15) days before the Effective Date as required under Section 46 of the Companies Act 1981 of Bermuda, as amended, modified, and supplemented from time to time ("**Bermuda Act**"); and
- (c) the receipt of all necessary approvals (if any) from regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

Shareholders may wish to note that Bermuda law does not require any application to the Bermuda courts for the purpose of the Proposed Capital Reorganisation.

C2. Proposed Placement

The Proposed Placement is conditional upon:

- (a) approval in-principle for the listing and quotation of the Placement Shares on the SGX-ST being obtained from the SGX-ST and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Placement Shares on the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled;
- (b) the approval of the Directors and shareholders of the Company (where necessary) being obtained in respect of the transactions contemplated by the Placement Agreement including but not limited to the issue and allotment of the Placement Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the parties hereto;
- (c) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by the Placement Agreement;
- (d) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of each of the Placees contained or referred to in the respective Placement Agreements deemed to be repeated on each day hereafter, down to the date of completion of the Proposed Placement in all respects with reference to the facts and circumstances existing on each such day;
- (e) the subscription, issue and allotment, and offering (if any) of the Placement Shares being in compliance with the SFA in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory

body or authority of Singapore, Bermuda or elsewhere which is applicable to the Company and/or the Placees; and

- (f) the completion of the Proposed Capital Reorganisation.

If any of the conditions set forth above is not satisfied on or before six (6) months (or such other later date as the parties may agree) (the “**Long-Stop Date**”) after the date of the Placement Agreement:

- (i) the Company shall refund the issue price received by the Company from the Placee (if any) to the Placee without interest within three (3) market days of the Long-Stop Date; and
- (ii) the Placement Agreement shall *ipso facto* cease and determine thereafter and none of the parties shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise.

D. RATIONALE FOR THE PROPOSED PLACEMENT AND PROPOSED CAPITAL REORGANISATION

D1. Rationale for the Proposed Capital Reorganisation

Increase the Minimum Trading Price

On 18 September 2014, the SGX-ST announced that the Monetary Authority of Singapore and the SGX-ST have decided to introduce a minimum trading price for Mainboard-listed stocks as a continuing listing requirement to address risks associated with low-priced securities and to improve overall market quality. The SGX-ST intends to set a minimum trading price of S\$0.20 (“**Minimum Trading Price**”) for Mainboard stocks. The SGX-ST targets to introduce the minimum trading price requirement and adjustments to the existing watch-list requirements by March 2015, and for these changes to take effect from March 2016.

The Shares have been trading between approximately S\$0.007 and approximately S\$0.012 with a volume weighted average price of approximately S\$0.009, during the three (3) months prior to 18 December 2014. As such, the trading price is currently below the Minimum Trading Price. The Proposed Share Consolidation should enable the trading price of the Shares to be approximately S\$0.32, and should enable the Company to be compliant with the Minimum Trading Price requirement.

Facilitate the Proposed Placement

The Shares have been trading between approximately S\$0.007 and approximately S\$0.012 with a volume weighted average price of approximately S\$0.009, which is below the existing par value per Share of HK\$0.07 (equivalent to approximately S\$0.012), during the three (3) months prior to 18 December 2014. Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. Immediately after the Proposed Share Consolidation, the trading price of the Shares is likely to be S\$0.32 and the par value of the Shares is likely to be HK\$2.80. As such, the Company will not be able to issue the Placement Shares at the proposed issue price of S\$0.32 as it will be below the par value of HK\$2.80 immediately after the Proposed Share Consolidation. The Proposed Capital Reduction undertaken as part of the capital reorganisation exercise immediately after the Proposed Share Consolidation will enable the

Company to issue the Placement Shares by reducing the par value per Share of the Company to HK\$0.10, enabling the Company to raise monies from the Proposed Placement for working capital purposes.

Greater Flexibility to Issue Shares and Increase Distributable Reserves

It is proposed for Shareholders' approval that the amount of credit of HK\$123,987,925.60 arising from the Issued Share Capital Reduction (the "**Credit Sum**") be credited to the contributed surplus account of the Company and that the Directors be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company). The crediting of the Credit Sum to the contributed surplus account of the Company would increase the balance in such account. No cash is required to support such increase in the contributed surplus account of the Company. The Directors may apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws and all applicable laws. Section 54(1) of the Bermuda Act provides that "a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities.". Bye-law 148(A) provides that "no dividend shall be declared or paid and no distribution of contributed surplus made otherwise than in accordance with the Statutes". No dividends shall be paid otherwise than out of funds available for distribution."

The term "contributed surplus" is defined in Section 54(2) of the Bermuda Act to include "proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company". A company may declare or pay a distribution out of its contributed surplus.

As such, the Proposed Capital Reorganisation will (i) provide the Company with greater flexibility to issue new Shares in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares, and (ii) increase the distributable reserves of the Company, thereby giving the Company greater flexibility in relation to its distributions (whether or not the Company will make a distribution out of contributed surplus and the timing and amount of distribution to be paid will depend on the Company's earnings, financial position including cash flow position and future capital requirements, future plans and other relevant factors). The whole amount of credit balance of HK\$123,987,925.60 will be available for distribution subject to any relevant restrictions. It is incumbent on the Directors to take into consideration all relevant factors (including but not limited to the Company's overall financial position and its operational needs) before making a distribution recommendation for submission to the members for their approval.

As at the date of this Announcement, Shareholders should note that there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.

D2. Rationale for the Proposed Placement

The Company wishes to undertake the Proposed Placement to raise working capital for the Company.

The estimated net proceeds from the Proposed Placement, after deducting estimated expenses pertaining to the Proposed Placement of S\$200,000, will be S\$6,200,000. The net proceeds will be used for business investments and working capital purposes. Approximately 85% of the net proceeds will be used for business investments and the remaining 15% of the net proceeds will be used for working capital purposes.

The Company will make periodic announcements on the utilisation of proceeds from the Placement as and when the funds from the Proposed Placement are materially disbursed and provide a status report of the use of proceeds from the Proposed Placement in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

E. FINANCIAL EFFECTS

E1. Financial Effects of the Proposed Capital Reorganisation

For illustrative purposes only, the financial position of the Company and its subsidiaries (the "Group") are set out below. The exchange rate between S\$ and HK\$ is 1:5.8585, which is extracted from the Hong Kong Association of Banks as at 11 December 2014.

(a) Share Capital

The effects of the Proposed Capital Reorganisation on the share capital of the Company as at 31 March 2014 are follows:

	Before Proposed Capital Reorganisation	After Proposed Capital Reorganisation
Authorised Share Capital		
Number of Shares ('000)	2,500,000	1,750,000
Par Value (HK\$)	0.07	0.10
Total (HK\$'000)	175,000	175,000
Issued and Paid-up Capital		
Number of Shares ('000)	1,760,730	44,018
Par Value (HK\$)	0.07	0.10
Total (HK\$'000)	123,251	4,402

(b) Shareholders' Funds and Reserves

The Shareholders' funds and reserves of the Company before and after the Proposed Capital Reorganisation (based on the latest audited consolidated financial statements of the Group as at 31 March 2014) are as follows:

	Before Proposed Capital Reorganisation (HK\$'000)	After Proposed Capital Reorganisation (HK\$'000)
Share capital	123,251	4,402

Contributed Surplus ⁽¹⁾	-	118,849
Share premium	267,634	303,128
Capital reserve	-	-
Foreign currency translation reserve	917	917
Share-based compensation reserve	3,368	3,368
Share option reserve	-	-
Retained earnings	(319,432)	(319,432)
Shareholders' Funds	-	-

Notes:

- (1) The creation of the contributed surplus was because the reduction in par value of the shares did not result in any return of capital to shareholders. Accordingly the capital remained intact but it has been presented with a reduced par value share capital and a corresponding increase in contributed surplus.

The Shareholders' funds and reserves of the Company before and after the Proposed Capital Reorganisation (based on the Group's latest unaudited financial results for the second quarter ended 30 September 2014) are as follows:

	Before Proposed Capital Reorganisation (HK\$'000)	After Proposed Capital Reorganisation (HK\$'000)
Share capital	123,988	4,428
Contributed Surplus ⁽¹⁾	-	119,560
Share premium	268,138	303,632
Capital reserve	-	-
Foreign currency translation reserve	1,676	1,676
Share-based compensation reserve	3,368	3,368
Share option reserve	-	-
Retained earnings	(316,021)	(316,021)
Shareholders' Funds	-	-

Notes:

- (1) The creation of the contributed surplus was because the reduction in par value of the shares did not result in any return of capital to shareholders. Accordingly the capital remained intact but it has been presented with a reduced par value share capital and a corresponding increase in contributed surplus.

(c) Net Tangible Assets, Earnings and Gearing

Save for the costs and expenses relating to the Proposed Capital Reorganisation, the implementation of the Proposed Capital Reorganisation will not have any effect on the net tangible assets, earnings and gearing of the Group. No capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation.

The proforma analysis above has been prepared solely for illustrative purpose only and does not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company and the Group immediately after the completion of the Proposed Capital Reorganisation.

E2. Financial Effects of the Proposed Placement

For illustration purposes only, the table below sets out the financial effects of the Proposed Placement based on the following bases and assumptions:-

- (i) The audited consolidated financial statements of the Company for the financial year ended 31 March 2014;
- (ii) The financial impact on the consolidated net tangible assets (“**NTA**”) per Share of the Company is computed based on the assumption that the Proposed Placement was completed on 31 March 2014 and in relation to the Company’s consolidated earnings per Share (“**EPS**”), computed based on the assumption that the Proposed Placement was completed on 1 April 2013; and
- (iii) Completion of the Proposed Capital Reorganisation.

	Before the Proposed Placement	After the Proposed Placement
Share capital		
- Issued and paid up share capital (HK\$'000)	4,402	6,402
- Number of Shares ('000)	44,018	64,018
NTA (HK\$'000)	46,853	84,792
NTA per Share (HK\$)	1.06	1.32
EPS (cents) (1)	2.49	1.71
Profit attributable to equity holders of the Company (HK\$'000)	1,097	1,097
Weighted average number of shares used to calculate diluted earnings	44,018	64,018

Note: (1) EPS is calculated by dividing the Company’s consolidated net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares.

The financial effects of the Proposed Placement on the Company and the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Group after the completion of the Proposed Placement.

Paul Gao Xiangnong	4,352,500	9.8	2,244,855	5.1	6,597,355	14.9	4,352,500	6.8	2,244,855	3.5	6,597,355	10.3
Compelling Vision Management Limited	2,244,855	5.1	-	-	2,244,855	5.1	2,244,855	3.5	-	-	2,244,855	3.5
PLACEES												
Deng Jiaoyan	-	-	-	-	-	-	5,000,000	7.8	-	-	5,000,000	7.8
Li Xiaomin	-	-	-	-	-	-	5,000,000	7.8	-	-	5,000,000	7.8
Tian Heng	-	-	-	-	-	-	5,000,000	7.8	-	-	5,000,000	7.8
Zhu Lin	-	-	-	-	-	-	5,000,000	7.8	-	-	5,000,000	7.8
Notes:-												
(1) Based on the issued share capital of 44,281,402 Shares before the Proposed Placement and after the Proposed Capital Reorganisation.												
(2) Based on the issued share capital of 64,281,402 Shares after the Proposed Placement and after the Proposed Capital Reorganisation.												

H. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as director or shareholders of the Company) has any interest, direct or indirect, in the Proposed Placement and/or the Proposed Capital Reorganisation.

Shareholders and potential investors should note that the Proposed Placement and the Proposed Capital Reorganisation are subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY THE ORDER OF THE BOARD

Paul Gao Xiangnong
Chief Executive Officer and Executive Director
19 December 2014