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China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1371)

PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS

BONDHOLDER LETTER AGREEMENT

The Board announces that on 1 November 2019, the Company and the Bondholder entered into the Bondholder Letter Agreement, whereby the Company and the Bondholder have conditionally agreed to further amend certain terms and conditions of the New Option 1 Bonds, including the maturity date. Save for the Proposed Amendments and the corresponding necessary contextual changes to the Trust Deed pursuant to the Bondholder Letter Agreement, all other terms and conditions of the New Option 1 Bonds shall remain in full force and effect.

Pursuant to the Bondholder Letter Agreement, the Bondholder, as the sole holder of 100% of the Principal Amount Outstanding of the New Option 1 Bonds, shall instruct the Trustee to concur in the Proposed Amendments and execute the Second Supplemental Trust Deed. The Proposed Amendments shall become effective upon the entering of the Second Supplemental Trust Deed, which in turn is subject to and conditional upon (i) the Stock Exchange granting the approval for the Proposed Amendments as required under Rule 28.05 of the Listing Rules; and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

As at the date of this announcement, no Conversion Shares have been issued. Based on the Conversion Price and assuming full conversion of the New Option 1 Bonds, an aggregate of 87,400,000 Conversion Shares will be issued by the Company, representing approximately 8.49% of the issued share capital of the Company as at the date of this announcement, and approximately 7.83% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the New Option 1 Bonds. The Conversion Shares will be issued pursuant to the 2019 General Mandate.

APPLICATION FOR LISTING

A new application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the New Option 1 Bonds.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Proposed Amendments pursuant to the requirements under the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Proposed Amendments are subject to the fulfilment of the conditions precedent and the entering of the Second Supplemental Trust Deed, and therefore the Proposed Amendments may or may not take effect. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and the securities of the Company.

INTRODUCTION

This announcement is made by the Company pursuant to Rule 28.05 of the Listing Rules. Reference is made to the announcements of the Company dated 10 March 2017, 16 March 2017, 24 March 2017, 7 April 2017, 7 November 2017, 26 April 2018, 22 March 2019 and 28 March 2019 relating to the New Option 1 Bonds.

The Board announces that on 1 November 2019, the Company and the Bondholder entered into the Bondholder Letter Agreement, whereby the Company and the Bondholder have conditionally agreed to further amend certain terms and conditions of the New Option 1 Bonds. Pursuant to the Bondholder Letter Agreement, the Bondholder, as the sole holder of 100% of the Principal Amount Outstanding of the New Option 1 Bonds, shall instruct the Trustee to concur in the Proposed Amendments and execute the Second Supplemental Trust Deed. Subject to fulfillment of the conditions precedent set out below, the Proposed Amendments will be effected by the Company and the Trustee entering into the Second Supplemental Trust Deed.

BONDHOLDER LETTER AGREEMENT

Set out below are the principal terms of the Bondholder Letter Agreement.

Date: 1 November 2019

Parties: (i) the Company as the issuer
(ii) the Bondholder as the holder of the New Option 1 Bonds

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Bondholder and its ultimate beneficial owners are third parties independent of the Company and are not connected persons of the Company.

Proposed Amendments

	Original terms (as supplemented and amended by the First Supplemental Trust Deed)	Proposed Amendments
Maturity date:	7 November 2019	7 November 2020
Repayment date:	Redemption of the outstanding principal amount together with any accrued but unpaid interest on the maturity date (i.e. 7 November 2019)	Repayment in two instalments: (i) 50% of the Principal Amount Outstanding on 7 May 2020; and (ii) remaining of the Principal Amount Outstanding on the maturity date (i.e. 7 November 2020)
Redemption at the option of the Company:	Redemption at the option of the Company at any time for taxation reasons	Redemption at the option of the Company at any time

Save for the Proposed Amendments and the corresponding necessary contextual changes to the Trust Deed pursuant to the Bondholder Letter Agreement, all other terms and conditions of the New Option 1 Bonds shall remain in full force and effect.

Conditions Precedent

The Proposed Amendments shall become effective upon the entering of the Second Supplemental Trust Deed, which in turn is subject to and conditional upon (i) the Stock Exchange granting the approval for the Proposed Amendments as required under Rule 28.05 of the Listing Rules; and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares.

If the conditions precedent set out above are not fulfilled on or before 7 November 2019 (or such later date as may be mutually agreed between the Company and the Bondholder and communicated in writing to the Trustee), the Bondholder Letter Agreement shall terminate and the Second Supplemental Trust Deed will not be entered into and the Proposed Amendments will not take effect.

Conversion Price

The Conversion Price of HK\$2.00 per Conversion Share represents:

- (i) a premium of approximately 852.38% over the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on 1 November 2019, being the date of this announcement;
- (ii) a premium of approximately 854.20% to the average closing price of HK\$0.2096 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of this announcement; and
- (iii) a premium of approximately 855.11% to the average closing price of HK\$0.2094 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the date of the this announcement.

REASONS FOR AND BENEFITS OF THE PROPOSED AMENDMENTS

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in the China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery, and the Group continues to explore and develop other potential businesses, including trading business and production and sales of natural and health food business.

The Group considers that it is in the interests of the Group to utilize its resources for business development and other business opportunities in order to maximize returns to its Shareholders. As such, the Proposed Amendments will allow the Group to have more financial flexibility and additional time to develop its business instead of repaying the New Option 1 Bonds in the imminent future.

In view of the above, the Directors consider that the Proposed Amendments are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

As at the date of this announcement, no Conversion Shares have been issued.

Based on the Conversion Price and assuming full conversion of the New Option 1 Bonds, an aggregate of 87,400,000 Conversion Shares will be issued by the Company, representing approximately 8.49% of the issued share capital of the Company as at the date of this announcement, and approximately 7.83% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the New Option 1 Bonds.

The Conversion Shares will be issued pursuant to the 2019 General Mandate. As at the date of this announcement, the 2019 General Mandate has not been utilized. The issue of the 87,400,000 Conversion Shares under the New Option 1 Bonds will utilize approximately 44.01% of the 2019 General Mandate.

The issue of the Conversion Shares upon conversion of the New Option 1 Bonds is not subject to Shareholders' approval.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose, assuming there are no other changes in the issued share capital of the Company from the date of this announcement up to the full conversion of the New Option 1 Bonds, the table below sets forth the shareholding structure of the Company (1) as at the date of this announcement; and (2) upon full conversion of the New Option 1 Bonds at the Conversion Price:

Shareholders	As at the date of this announcement		Immediately after full conversion of the New Option 1 Bonds at the Conversion Price	
	<i>No. of shares</i>	<i>Approximate % of the issued share capital of the Company</i>	<i>No. of shares</i>	<i>Approximate % of the issued share capital of the Company</i>
Ms. LAU Ting and Mr. CHAN Shing <i>(Note 1)</i>	188,479,410	18.31	188,479,410	16.88
Non-public Shareholders <i>(Note 2)</i>	17,800,000	1.73	17,800,000	1.59
Bondholder	0	0	87,400,000	7.83
Other Public Shareholders	<u>823,201,323</u>	<u>79.96</u>	<u>823,201,323</u>	<u>73.71</u>
Total	<u>1,029,480,733</u>	<u>100</u>	<u>1,116,880,733</u>	<u>100</u>

Notes:

1. The interests of each of Ms. LAU Ting, Mr. CHAN Shing and their controlled companies were deemed to be the interests of each other.
2. The Shares held by non-public Shareholders consist of the Shares held by Directors.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as (i) the new Shares issued upon the exercise of share options granted under the share option scheme of the Company (as adopted by the Shareholders on 18 May 2012); and (ii) the amendments to the terms and conditions of the New Option 1 Bonds on 28 March 2019, the Company has not conducted any fund raising activities on any issue of equity securities in the past twelve months immediately prior to the date of this announcement.

APPLICATION FOR LISTING

A new application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the New Option 1 Bonds.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Proposed Amendments pursuant to the requirements under the Listing Rules.

Further announcement(s) in relation to the Proposed Amendments will be made by the Company as and when appropriate in compliance with the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Proposed Amendments are subject to the fulfilment of the conditions precedent and the entering of the Second Supplemental Trust Deed, and therefore the Proposed Amendments may or may not take effect. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2019 General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13 June 2019 to issue up to a maximum of 198,596,146 Shares
“Board”	the board of Directors
“Bondholder”	holder of the New Option 1 Bonds, representing 100% of the outstanding principal amount of the New Option 1 Bonds as at the date of this announcement
“Bondholder Letter Agreement”	the letter agreement entered into between the Company and the Bondholder on 1 November 2019 in relation to the Proposed Amendments
“Company”	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange with stock code 1371
“connected person”	has the meaning ascribed to it under the Listing Rules

“Conversion Price”	HK\$2.00 per Conversion Share subject to adjustment in the manner provided in the Trust Deed
“Conversion Shares”	Shares to be issued by the Company upon conversion of the New Option 1 Bonds under the 2019 General Mandate
“Director(s)”	director(s) of the Company
“First Supplemental Trust Deed”	the supplemental trust deed entered into between the Company and the Trustee dated 28 March 2019 to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Option 1 Bonds”	the Hong Kong dollar denominated unsecured convertible bonds issued by the Company on 7 April 2017, with a Principal Amount Outstanding of HK\$174,800,000 as at the date of this announcement, as amended from time to time
“PRC”	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Principal Amount Outstanding”	the outstanding principal amount of the New Option 1 Bonds from time to time
“Proposed Amendments”	the proposed amendments to the terms and conditions of the New Option 1 Bonds as conditionally agreed between the Company and the Bondholder under the Bondholder Letter Agreement, as further described in the paragraph headed “Proposed Amendments” under the section headed “Bondholder Letter Agreement” in this announcement
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Second Supplemental Trust Deed”	a second supplemental trust deed to be entered into between the Company and the Trustee to give effect to the Proposed Amendments
“Trust Deed”	the trust deed entered into between the Company and the Trustee dated 7 April 2017, pursuant to which the New Option 1 Bonds were constituted, as amended and supplemented from time to time (including the First Supplemental Trust Deed and the Second Supplemental Trust Deed)
“Trustee”	DB Trustees (Hong Kong) Limited
“%”	per cent.

By order of the Board
China LotSynergy Holdings Limited
CHAN Tan Na, Donna
Chairperson of the Board

Hong Kong, 1 November 2019

As at the date of this announcement, the Board comprises Ms. CHAN Tan Na, Donna, Mr. WU Jingwei, Mr. LI Zi Kui and Ms. ZHU Xinxin as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-Executive Directors.

* *For identification purposes only*