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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 DUE 2019

BONDHOLDER LETTER AGREEMENT

The Board announces that on 22 March 2019, the Company and the Bondholder entered into the Bondholder Letter Agreement, whereby the Company and the Bondholder have conditionally agreed to amend certain terms and conditions of the New Option 1 Bonds, including the maturity date, interest and interest payment date and conversion price. Save as 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 outstanding principal amount of the New Option 1 Bonds, shall instruct the Trustee to concur in the Proposed Amendments and execute the Supplemental Trust Deed. The Proposed Amendments shall become effective upon the entering of the 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 Amended Conversion Price and assuming full conversion of the New Option 1 Bonds, an aggregate of 874,000,000 Conversion Shares will be issued by the Company, representing approximately 8.80% of the issued share capital of the Company as at the date of this announcement, and approximately 8.09% 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 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 condition precedent and the entering of the 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 and 26 April 2018 relating to the New Option 1 Bonds.

The Board announces that on 22 March 2019, the Company and the Bondholder entered into the Bondholder Letter Agreement, whereby the Company and the Bondholder have conditionally agreed to 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 outstanding principal amount of the New Option 1 Bonds, shall instruct the Trustee to concur in the Proposed Amendments and execute the Supplemental Trust Deed. Subject to fulfillment of the condition precedent set out below, the Proposed Amendments will be effected by the Company and the Trustee entering into the Supplemental Trust Deed.

BONDHOLDER LETTER AGREEMENT

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

Date: 22 March 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	Proposed Amendments
Maturity date:	7 April 2019	7 November 2019
Interest and interest payment date:	7.5% per annum from (and including) 7 April 2017, payable quarterly in arrear on 7 January, 7 April, 7 July and 7 October in each year commencing on 7 July 2017 and the last interest payment date being 7 April 2019	(i) 7.5% per annum from (and including) 7 April 2017 up to (but excluding) 7 April 2019, payable quarterly in arrear on 7 January, 7 April, 7 July and 7 October in each year; and (ii) 8.5% per annum from (and including) 7 April 2019 up to (but excluding) 7 November 2019, payable in arrear on 7 November 2019
Conversion price:	HK\$0.288 per Conversion Share subject to adjustment in the manner provided in the Trust Deed (which has been reset on 7 November 2017 to HK\$0.24 per Conversion Share and further adjusted on 26 April 2018 to HK\$0.23 per Conversion Share)	With effect from 29 March 2019, HK\$0.20 per Conversion Share subject to adjustment in the manner provided in the Trust Deed (“ Amended Conversion Price ”)

Save as 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.

Condition Precedent

The Proposed Amendments shall become effective upon the entering of the 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 condition precedent set out above is not fulfilled on or before 29 March 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 Supplemental Trust Deed will not be entered into and the Proposed Amendments will not take effect.

Conversion Price

The Amended Conversion Price of HK\$0.20 per Conversion Share represents:

- (i) a discount of approximately 13.04% to the original conversion price of HK\$0.23 per Conversion Share (as adjusted on 26 April 2018) of the New Option 1 Bonds;
- (ii) a premium of approximately 138.10% over the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 22 March 2019, being the date of this announcement;
- (iii) a premium of approximately 133.64% to the average closing price of HK\$0.0856 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
- (iv) a premium of approximately 132.29% to the average closing price of HK\$0.0861 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 technology and operation service providers of 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 ticket game and KENO-type lottery to new media lottery.

The Group considers that it is in the interests of the Group to utilise its resources for business development and other business opportunities in order to maximise 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 Amended Conversion Price and assuming full conversion of the New Option 1 Bonds, an aggregate of 874,000,000 Conversion Shares will be issued by the Company, representing approximately 8.80% of the issued share capital of the Company as at the date of this announcement, and approximately 8.09% 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 General Mandate. As at the date of this announcement, the General Mandate has not been utilized. The issue of the 874,000,000 Conversion Shares under the New Option 1 Bonds will utilize approximately 44.78% of the 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 Amended Conversion Price:

Shareholders	As at the date of this announcement		Immediately after full conversion of the New Option 1 Bonds at the Amended Conversion Price	
	No. of shares	Approximate % of the issued share capital of the Company	No. of shares	Approximate % of the issued share capital of the Company
Ms. Lau Ting and Mr. Chan Shing (Note 1)	1,236,674,125	12.45	1,236,674,125	11.45
Non-public Shareholders (Note 2)	159,500,000	1.61	159,500,000	1.48
Bondholder	0	0	874,000,000	8.09
Other Public Shareholders	<u>8,533,633,208</u>	<u>85.94</u>	<u>8,533,633,208</u>	<u>78.99</u>
Total	<u>9,929,807,333</u>	<u>100</u>	<u>10,803,807,333</u>	<u>100</u>

Notes:

- 266,974,373 Shares were held by Ms. LAU Ting and 242,486,426 Shares were held by Mr. CHAN Shing. 727,213,326 Shares were held by corporations controlled by Ms. LAU Ting or Mr. CHAN Shing. As Mr. CHAN Shing is the spouse of Ms. LAU Ting, the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- 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 placing of 1,034,500,000 new Shares at the placing price of HK\$0.116 per placing Share (issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting on 1 June 2017) which was completed on 26 April 2018; and (ii) 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), 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 condition precedent and the entering of the 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:

“Amended Conversion Price”	HK\$0.20 per Conversion Share subject to adjustment in the manner provided in the Trust Deed
“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
“Bondholder Letter Agreement”	the letter agreement entered into between the Company and the Bondholder on 22 March 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 Shares”	Shares to be issued by the Company upon conversion of the New Option 1 Bonds under the General Mandate

“Director(s)”	director(s) of the Company
“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 6 June 2018 to issue up to a maximum of 1,951,961,466 Shares
“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 7.5 per cent. unsecured convertible bonds due 7 April 2019 issued by the Company on 7 April 2017, the outstanding, principal amount of which as at the date of this announcement is HK\$174,800,000, 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)
“Proposed Amendments”	the proposed amendments to the terms and conditions of the New Option 1 Bond 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\$0.0025 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
“Supplemental Trust Deed”	a 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 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, 22 March 2019

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

* *For identification purposes only*