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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)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD
ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
(II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) CONNECTED TRANSACTION IN RELATION TO THE SET-OFF;
(IV) APPLICATION FOR WHITEWASH WAIVER;
(V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(VI) RESUMPTION OF TRADING**

Financial adviser to the Company

六福金融
LUKFOOK FINANCIAL

Placing Agent

 **基石金融控股有限公司**
CORNERSTONE FINANCIAL HOLDINGS LIMITED

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

 **Gram Capital Limited**
嘉林資本有限公司

PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held as at 5:00 p.m. on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise up to approximately HK\$220.75 million before expenses by way of issuing up to 2,207,541,466 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date).

The Company will provisionally allot to the Qualifying Shareholders two (2) Rights Shares in nil-paid form for every one (1) existing Share in issue and held on the Record Date, which is currently expected to be Tuesday, 13 April 2021. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Rights Issue is conditional upon, among other things, the grant by the Executive of the Whitewash Waiver on or before the Posting Date. The estimated net proceeds of the Rights Issue will range from a maximum of approximately HK\$220.75 million to a minimum of approximately HK\$80.00 million (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date and only Ms. Lau subscribes for the Undertaken Shares under the Irrevocable Undertaking).

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

THE IRREVOCABLE UNDERTAKING BY MS. LAU

On 29 January 2021, Ms. Lau gave the Irrevocable Undertaking in favour of the Company in connection with the Rights Issue. Pursuant to the Irrevocable Undertaking, Ms. Lau has irrevocably undertaken to the Company that, among other things, (i) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall accept and pay for, or procure the acceptance and payment for, all the Entitlement Shares provisionally allotted to her, and apply and pay for, or procure the application and payment for no less than 616,981,126 excess Rights Shares and no more than the difference between the maximum number of Rights Shares available under the Rights Issue and all the Entitlement Shares provisionally allotted to her; (ii) she shall remain to be the beneficial owner of 91,509,437 Shares on the Record Date; and (iii) she shall not, and shall procure her nominees will not, acquire any further Shares on or before the Record Date.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 16 February 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Placing Shares (i.e. the Untaken Shares during the Rights Issue) at the Placing Price of HK\$0.10 per Placing Share on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares are already fully taken up in the Rights Issue whether through the PAL(s) or EAF(s), the Placing will not proceed.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing Shares is advised to exercise caution when dealing in the Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:00 p.m. on the Rights Issue Settlement Date, will accordingly bear the risk that the Rights Issue and/or Placing may not proceed.

CONNECTED TRANSACTION IN RELATION TO THE SET-OFF

On 29 January 2021, the Company, the Borrower and Ms. Lau entered into the Set-Off Deed, pursuant to which the parties have agreed to restructure the Shareholder's Loan in the principal amount of HK\$50,000,000 by offsetting the outstanding balance of the Shareholder's Loan as at the Rights Issue Completion Date on a dollar-to-dollar basis against an equivalent amount of the aggregated Subscription Price of (i) all Entitlement Shares; and (ii) the Relevant Excess Shares allocated to Ms. Lau. The Set-Off will be conditional upon the Rights Issue becoming unconditional pursuant to the terms and conditions as set out in the Prospectus.

The exact Set-Off Amount would depend on the number of Entitlement Shares to be taken up by Ms. Lau and the number of Relevant Excess Shares to be applied for and allocated to Ms. Lau.

LISTING RULES IMPLICATIONS

The Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this announcement, the Rights Issue is conditional upon the minority Shareholders' approval of at the SGM, and any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin and their respective associates shall abstain from voting in respect of the resolution relating to the Rights Issue at the SGM.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM.

The Set-Off

As at the date of this announcement, Ms. Lau is a substantial Shareholder and therefore a connected person of the Company. Accordingly, the Set-Off Deed and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and will be subject to Independent Shareholders' approval at the SGM.

As Ms. Chan, as an executive Director and daughter of Ms. Lau, is materially interested in the Set-Off, she was required to abstain from voting on the Board resolutions approving the same.

TAKEOVERS CODE IMPLICATIONS

The Rights Issue and Whitewash Waiver

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Share; and (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the maximum number of excess Rights Shares, being 1,875,942,592 Rights Shares, the voting rights of the Company held by Ms. Lau and parties acting in concert with her will increase from approximately 19.84% to 73.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Share; and (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the maximum number of excess Rights Shares, being 2,024,522,592 Rights Shares, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 72.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the Undertaken Shares; and (iv) all the Untaken Shares were placed to Independent Third Parties under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 30.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the Undertaken Shares; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 52.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

In such circumstances, the acceptance in full by Ms. Lau of the Entitlement Shares allotted to her pursuant to the Irrevocable Undertaking and/or the allotment of excess Rights Shares to her upon successful excess application when there is an undersubscription of the Rights Issue will trigger an obligation on Ms. Lau to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by Ms. Lau and parties acting in concert with her, unless a waiver is granted by the Executive. Ms. Lau will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Pursuant to the Irrevocable Undertaking, Ms. Lau has irrevocably undertaken to the Company to, among other things, promptly (and in any event prior to the Posting Date) apply to the Executive for the Whitewash Waiver.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the Rights Issue and the Placing and to provide the Company with flexibility for fundraising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes, the Board proposes that the authorised share capital of the Company be increased from HK\$40,000,000 to HK\$125,000,000 by the creation of 3,400,000,000 additional Shares, all of which will, upon issue and being fully paid, rank pari passu in all respects with the Shares in issue. The Increase in Authorised Share Capital is subject to the approval by the Shareholders by way of an ordinary resolution at the SGM.

GENERAL

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming, to advise the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver and as to the voting action therefor.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The Circular containing, among other things, (i) further information regarding the Rights Issue, the Placing, the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) the notice of the SGM is required to be despatched to the Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Tuesday, 9 March 2021).

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 February 2021 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 February 2021.

PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held as at 5:00 p.m. on the Record Date. Set out below are the details of the Rights Issue statistics.

Rights Issue Statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held by the Shareholders as at 5:00 p.m. on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,029,480,733 Shares
Maximum number of Rights Shares	:	2,058,961,466 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date), representing (i) 200.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion; or 2,207,541,466 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date), representing (i) approximately 214.43% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.
Number of Rights Shares being undertaken by Ms. Lau	:	800,000,000 Rights Shares
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$80.00 million to approximately HK\$220.75 million

Save for the outstanding New Option 1 Bonds in the principal amount of HK\$148,580,000 which are convertible into 74,290,000 Shares upon full conversion at the current conversion price of HK\$2.00, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares as at the date of this announcement.

The Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, application for the excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 29 January 2021, being the date on which the Subscription Price is fixed;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.89% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.149;
- (iv) a discount of approximately 40.12% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.167;
- (v) a discount of approximately 43.18% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (vi) a discount of approximately 15.97% to the theoretical ex-entitlement price of approximately HK\$0.119 per Share based on the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.93% represented by the theoretical diluted price of approximately HK\$0.119 to the benchmarked price of approximately HK\$0.156 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.143 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date on which the Subscription Price is fixed of HK\$0.156 per Share);
- (viii) a discount of approximately 56.33% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.229 per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$235,583,000 as at 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019 and 1,029,480,733 Shares in issue as at the date of this announcement; and
- (ix) a discount of approximately 37.11% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$0.159 per Share calculated based on the unaudited consolidated net assets of the Group

attributable to the Shareholders of approximately HK\$164,183,000 as at 30 June 2020 as set out in the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and 1,029,480,733 Shares in issue as at the date of this announcement.

Each Rights Share has a par value of HK\$0.025.

The aggregate par value of the Rights Shares will, depending on the level of subscription of the Rights Shares, range from HK\$20,000,000 to HK\$55,188,536.65.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

In addition to the Rights Issue, the Company also proposes to conduct Placing to place the Untaken Shares on a best effort basis. Further details of the Placing are disclosed in the section headed “Placing of New Shares under Specific Mandate” of this announcement.

In order to facilitate the issue of the Rights Shares and Placing Shares under the Rights Issue and the Placing, the Company proposes to increase the authorised share capital from HK\$40,000,000 to HK\$125,000,000. Further details of the Increase in Authorised Share Capital are disclosed in the section headed “Proposed Increase in Authorised Share Capital” of this announcement.

The Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. The terms of the Rights Issue and the Placing, including the Subscription Price and the Placing Price, were determined by the Board with reference to (i) the prevailing market conditions; (ii) the prevailing market prices of the Shares; (iii) the current financial position of the Group; and (iv) the funding and liquidity requirements of the Group as detailed in the section headed “Reasons for the Rights Issue, the Placing and the Set-Off and the Use of proceeds” in this announcement.

Having considered in particular (i) the recent downward trend of the market price and the low trading volume of the Shares; (ii) the loss-making position of the Group for the recent years; (iii) the net current liabilities of the Group as at 30 June 2020 and 31 December 2019; and (iv) the pressing financial needs of the Group in the near-term, the Directors (excluding the independent non-executive Directors) consider that setting the Subscription Price at a significant discount would attract the Qualifying Shareholders to participate in the Rights Issue and invest in the Company so as to enable the Company to raise the funds required. Therefore, the Directors (excluding Ms. Chan, who abstained from voting, and members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of Gram Capital) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the grant by the Executive of the Whitewash Waiver on or before the Posting Date and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules and the Takeovers Code, including but not limited to approving, confirming and/or ratifying (as the case may be):
 - (a) the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully paid forms; and
 - (b) the Set-Off;
- (iii) the passing by at least 75% of the votes that are cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the Whitewash Waiver;
- (iv) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the Increase in Authorised Share Capital;
- (v) the issue by the Stock Exchange of a certificate authorising the registration of, and the registration with the Companies Registry, respectively, of one copy of each of the Prospectus Documents not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Posting Date;
- (vii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (viii) the compliance by Ms. Lau with her obligations under the Irrevocable Undertaking prior to the Latest Time for Acceptance and the Irrevocable Undertaking remaining in full force and effect; and
- (ix) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein or 4:00 p.m. on the Rights Issue Settlement Date (as the case may be), the Rights Issue will not proceed.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder.

In order for the transferees to be registered as members of the Company by 5:00 p.m. on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Wednesday, 7 April 2021.

Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders as at 5:00 p.m. on the Record Date.

Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Application for all or any part of a Qualifying Shareholder's provisional allotment of Rights Shares should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar at or before the Latest Time for Acceptance (i.e. 4:00 p.m. on Wednesday, 28 April 2021).

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

If there are Overseas Shareholders at 5:00 p.m. on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below. The Board will make enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the

requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send PALs or EAFs to them. The Non-Qualifying Shareholders will not be entitled to any provisional allotment under the Rights Issue.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by renounees and transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Company. The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to, by way of excess application, apply for the excess Rights Shares, which comprise (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders; and (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

Applications for the excess Rights Shares can be made by Qualifying Shareholders by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for, with the Registrar.

The Directors will allocate any Rights Shares at their discretion on a fair and equitable basis in accordance with the principle that the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for them on a pro-rata basis with reference to the number of excess Rights Shares applied for, but no reference will be made to the Rights Shares subscribed through applications by PALs and no preference will be given to topping-up odd lot holdings to whole board lot holdings.

If the aggregate number of Rights Shares available for excess application is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Investors with their Shares held by a nominee (or which are held in CCASS) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (or which are held in CCASS) should note that the above arrangement for allocation of excess Rights Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to 4:30 p.m. on Wednesday, 7 April 2021. If so, they must lodge all necessary documents with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Wednesday, 7 April 2021. The register of members of the Company will be closed from Thursday, 8 April 2021 to Tuesday, 13 April 2021 (both days inclusive).

Share certificates and refund cheques for the Rights Shares

Subject to fulfilment of the conditions, and the proceeding, of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted by Wednesday, 5 May 2021 to those entitled to them at their registered addresses by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Wednesday, 5 May 2021 to the applicants at their registered addresses by ordinary post at their own risk.

Application for listing and dealing arrangements of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy and other applicable fees and charges in Hong Kong.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

THE IRREVOCABLE UNDERTAKING BY MS. LAU

As at the date of this announcement, Ms. Lau is the beneficial owner of a total of 91,509,437 Shares, representing approximately 8.89% of the total number of issued Shares.

On 29 January 2021, Ms. Lau gave the Irrevocable Undertaking in favour of the Company in connection with the Rights Issue. Pursuant to the Irrevocable Undertaking, Ms. Lau has irrevocably undertaken to the Company that, among other things, (i) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall accept and pay for, or procure the acceptance and payment for, all the Entitlement Shares provisionally allotted to her; (ii) she shall remain to be the beneficial owner of 91,509,437 Shares on the Record Date; and (iii) she shall not, and shall procure her nominees will not, acquire any further Shares on or before the Record Date.

In addition, Ms. Lau has irrevocably undertaken to the Company to, among other things:

- (i) promptly (and in any event prior to the Posting Date) apply to the Executive for the Whitewash Waiver; and
- (ii) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall, at or before the Latest Time for Acceptance, apply and pay for, or procure the application and payment for, no less than 616,981,126 excess Rights Shares, which represents the difference between (1) the Undertaken Shares; and (2) all Entitlement Shares provisionally allotted to her, and no more than such number of excess Rights Shares which represents the difference between (1) the maximum number of Rights Shares available for subscription under the Rights Issue (as stated in the paragraph headed “Rights Issue Statistics” under the section headed “Proposed Rights Issue” in this announcement); and (2) all Entitlement Shares provisionally allotted to her.

Assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date, the maximum number of excess Rights Shares which Ms. Lau may apply for shall be 1,875,942,592 Rights Shares.

Assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date, the maximum number of excess Rights Shares which Ms. Lau may apply for shall be 2,024,522,592 Rights Shares.

Save for Ms. Lau, no Shareholder has undertaken with the Company to take up his/her/its provisional allotment in full or in part in connection with the Rights Issue.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 16 February 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Placing Shares (i.e. the Untaken Shares during the Rights Issue) at the Placing Price of HK\$0.10 per Placing Share on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares are already fully taken up in the Rights Issue whether through the PAL(s) or EAF(s), the Placing will not proceed.

Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Placing Agent : Cornerstone Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.

The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties and independent from, and not acting in concert with, Ms. Lau.

Placing commission : 1.0% of the gross proceeds from the subscription of the Placing Shares actually placed by the Placing Agent under the Placing Agreement.

Placing Period : The Placing Period shall commence on Friday, 30 April 2021, and end on the Placing End Date (i.e. Monday, 3 May 2021 under the expected timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

Placees : the Placing Agent shall use its reasonable endeavours to ensure that (i) the placees procured by it (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and independent from, and not acting in concert with, Ms. Lau; and (ii) no placee shall become a substantial Shareholder and any party acting in concert with Ms. Lau immediately following the Placing.

Placing Shares

The number of Placing Shares shall be equivalent to the number of Untaken Shares, being the difference between (i) the total number of Rights Shares available for subscription as at the Record Date; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders whether under the PAL(s) or EAF(s).

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date; and (ii) no Qualifying Shareholder (other than Ms. Lau, who subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking) subscribes for any Rights Shares, the maximum number of Placing Shares will be 1,258,961,466 Shares, representing (1) approximately 122.29% of the total number of existing Shares in issue; and (2) approximately 40.76% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares and the Placing Shares.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date (other than the full exercise of conversion rights under the New Option 1 Bonds on or before the Record Date); and (ii) no Qualifying Shareholder (other than Ms. Lau, who subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking) subscribes for any Rights Shares, the maximum number of Placing Shares will be 1,407,541,466 Shares, representing (1) approximately 136.72% of the total number of existing Shares in issue; and (2) approximately 42.50% of the total number of issued Shares as enlarged by the allotment and issuance of the Shares upon full conversion of the New Option 1 Bonds, the Rights Shares and the Placing Shares.

Placing Price

For the avoidance of doubt, the Placing will proceed only if the Rights Shares are not fully subscribed for and validly taken up. The Placing Price of HK\$0.10 per Placing Share, which is the same as the Subscription Price, represents:

- (i) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 29 January 2021, being the date on which the Subscription Price is fixed;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 32.89% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.149;
- (iv) a discount of approximately 40.12% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.167;
- (v) a discount of approximately 43.18% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (vi) a discount of approximately 15.97% to the theoretical ex-entitlement price of approximately HK\$0.119 per Share based on the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares and the Placing Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.93% represented by the theoretical diluted price of approximately HK\$0.119 to the benchmarked price of approximately HK\$0.156 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.143 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date on which the Subscription Price is fixed of HK\$0.156 per Share);
- (viii) a discount of approximately 56.33% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.229 per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$235,583,000 as at 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019 and 1,029,480,733 Shares in issue as at the date of this announcement; and
- (ix) a discount of approximately 37.11% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$0.159 per Share calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$164,183,000 as at 30 June 2020 as set out in the 2020 Interim Report and 1,029,480,733 Shares in issue as at the date of this announcement.

Each Placing Share has a par value of HK\$0.025.

The aggregate par value of the maximum number of Placing Shares will be HK\$35,188,536.65.

As stated above, the Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. The terms of the Placing Agreement, including the Placing Price and the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to (i) the prevailing market conditions; (ii) the prevailing market prices of the Shares; (iii) the current financial position of the Group; (iv) the funding and liquidity requirements of the Group as detailed in the section

headed “Reasons for the Rights Issue, the Placing and the Set-Off and the Use of proceeds” in this announcement; (v) the Subscription Price; and (vi) the attractiveness to invest in the Company from the perspective of potential investors.

In particular, the Directors considered that priority would be given to the Qualifying Shareholders to subscribe for the Rights Shares from their provisional allotments and excess applications under the Rights Issue. Should the Qualifying Shareholders (except for Ms. Lau) not participate in the Rights Issue and there remains any Untaken Shares, the Placing provides an equal opportunity for potential investors to invest in the Company so as to enable the Company to raise sufficient funds. The Directors are also of the view that if the Placing Price is set higher than the Subscription Price, it would adversely affect the results of the Placing as investors could otherwise acquire the Shares in the open market before the Record Date and participate in the Rights Issue at the Subscription Price. Therefore, having balanced the interests of the Company, the Shareholders and investors who would like to participate in the Group’s future development, the Directors consider that the terms of the Placing, including the Placing Price and the placing commission, are on normal commercial terms, fair and reasonable and the Placing is in the interest of the Company and the Shareholders as a whole.

Status of the Placing Shares

The Placing Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Placing Shares.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Placing Agreement (including the Specific Mandate);
- (ii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Placing Shares (subject to customary conditions) and such approval not having been withdrawn or revoked; and
- (iii) the Rights Issue becoming unconditional.

None of the above conditions of the Placing is capable of being waived in whole or in part by the Placing Agent or the Company.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Friday, 30 April 2021, being the second Business Day following the day on which the Latest Time for Acceptance

falls, or such other date as the Company may announce. The Placing Period shall end on Monday, 3 May 2021, being the third Business Day following the day on which the Latest Time for Acceptance, or such other date as the Company may announce.

The long stop date for the fulfilment of conditions of the Placing Agreement shall be 4:00 p.m. on Tuesday, 4 May 2021 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the Conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

If all the Rights Shares are already fully taken up in the Rights Issue whether through valid applications by PAL(s) or EAF(s), the Placing will not proceed.

Completion of the Placing

Subject to the fulfilment of conditions of the Placing as set out in the section headed “Placing of New Shares under Specific Mandate — Conditions of the Placing” of this announcement, the completion of the Placing shall take place on the next business day after the Placing End Date (or such later date as the Company may announce).

CONNECTED TRANSACTION IN RELATION TO THE SET-OFF

The Set-Off

Pursuant to the Amended Loan Agreement, Ms. Lau had advanced to the Borrower the Shareholder’s Loan in the principal amount of HK\$50,000,000. The Shareholder’s Loan was used for repayment of instalment payments under a mortgage loan and payment of office expenses, including salaries of the Group’s staff for the period from January 2020 to October 2020. As at the date of this announcement, the entire principal amount of the Shareholder’s Loan (and interest accrued upon it) remains outstanding. The Shareholder’s Loan is unsecured, bearing an interest of 9.5% per annum and with a term of two years.

On 29 January 2021, the Company, the Borrower and Ms. Lau entered into the Set-Off Deed, pursuant to which the parties have agreed to restructure the Shareholder’s Loan by offsetting the outstanding balance of the Shareholder’s Loan as at the Rights Issue Completion Date on a dollar-to-dollar basis against an equivalent amount of the aggregated Subscription Price of (i) all Entitlement Shares; and (ii) the Relevant Excess Shares allocated to Ms. Lau. The Set-Off will be conditional upon the Rights Issue becoming unconditional pursuant to the terms and conditions as set out in the Prospectus.

The exact Set-Off Amount would depend on the number of Entitlement Shares to be taken up by Ms. Lau and the number of Relevant Excess Shares to be applied for and allocated to Ms. Lau.

Subject to (i) the compliance of the set-off arrangement under the Set-Off Deed and (ii) the entire principal amount of the Shareholder’s Loan being offset against the subscription price of the relevant Rights Shares pursuant to the terms and conditions of the Set-Off Deed, Ms.

Lau shall release and discharge the Borrower from any and all obligations, liabilities, losses, damages, demands, claims, suits or actions of whatsoever nature arising from or in any way relating to the Loan and/or the Amended Loan Agreement with effect from the Rights Issue Completion.

If there remains any balance of the Shareholder's Loan after the Set-Off, the Borrower shall repay such remaining balance and pay all unpaid interests accrued and to be accrued on the Shareholder's Loan pursuant to the terms of the Amended Loan Agreement.

Assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion:

- (i) in the event that Ms. Lau validly applies for, and is allocated, all Entitlement Shares and 316,981,126 excess Rights Shares or more, the Set-Off Amount will reach the maximum of HK\$50,000,000; and
- (ii) in the circumstances that (1) all Shareholders are Qualifying Shareholders and (2) all Qualifying Shareholders take up their respective provisional allotments under the Rights Issue, the Set-Off Amount will be at the minimum of HK\$18,301,887.40.

Information on the Group and Ms. Lau

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in 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 continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

Ms. Lau is a substantial Shareholder, an entrepreneur and the founder of the Group.

Reasons for and Benefits of the Set-Off

The Directors (excluding Ms. Chan and members of the Independent Board Committee whose opinion will be provided after taking into account the advice of Gram Capital) are of the view that the Set-Off will enable the Group to repay, in full or in part, the Shareholder's Loan without cash outflow and will allow the Group to reduce its gearing level. Accordingly, such Directors consider the Set-Off to be in the interests of the Company and the Shareholders as a whole.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing Shares is advised to exercise caution when dealing in the Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares up to the date on which all the

conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:00 p.m. on the Rights Issue Settlement Date, will accordingly bear the risk that the Rights Issue and/or Placing may not proceed.

REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE SET-OFF AND THE USE OF PROCEEDS

As disclosed in the section headed “Information on the Group and Ms. Lau” of this announcement, the Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in China’s lottery market.

The Group has recorded net loss since 2015, and as disclosed in the 2020 Interim Report, for the six months ended 30 June 2020, the Group recorded an unaudited net loss of approximately HK\$75.20 million. Such loss was mainly due to the decrease in sales of lottery terminals and related equipment of approximately HK\$22.26 million and a decrease of approximately HK\$15.10 million in revenue from lease income from operating leases, which was as a result of the COVID-19 pandemic.

In addition, as disclosed in the 2020 Interim Report, as at 30 June 2020, the Company recorded net current liabilities of approximately HK\$211.52 million. However, as at 30 June 2020, the Company had cash and bank balances of only HK\$53.91 million.

As at the date of this announcement, the Group’s current liabilities mainly included (i) the unsecured Shareholder’s Loan with a total outstanding principal amount of HK\$50,000,000; (ii) the New Option 1 Bonds in the aggregate principal amount of HK\$148,580,000 where the second instalment of repayment of approximately HK\$26.22 million will be due in May 2021; and (iii) a bank loan with a total outstanding amount of HK\$208.50 million which will fall due on 30 June 2021. The Company’s cash and bank balance is insufficient for meeting its imminent cash flow demand in view of the aforementioned liabilities.

In light of the above, the Company intends to raise funds by way of the Rights Issue. Assuming a maximum of 2,207,541,466 Rights Shares and a minimum of 800,000,000 Rights Shares will be issued, the estimated gross proceeds of the Rights Issue will range from a maximum of approximately HK\$220.75 million to a minimum of approximately HK\$80.00 million. The estimated expenses in relation to the Rights Issue will amount to approximately HK\$6.50 million and the estimated net proceeds of the Rights Issue will range from a maximum of approximately HK\$214.25 million to a minimum of approximately HK\$73.50 million (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date and only Ms. Lau subscribes for the Undertaken Shares under the Irrevocable Undertaking). The net subscription price per Rights Share is expected to be a maximum of approximately HK\$0.097 and a minimum of approximately HK\$0.092.

In the event that the maximum net proceeds of approximately HK\$214.25 million is raised, (i) approximately 42.00% will be used towards the partial repayment of the New Option 1 Bonds; (ii) approximately 14.00% will be used towards the partial repayment of an existing bank borrowing (including interest) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group; (iii) approximately 23.30% will be used towards the Set-Off; and (iv) approximately 20.70% will be used towards the general working capital of the Group, respectively.

As at the date of this announcement, the outstanding principal amount of the New Option 1 Bonds is HK\$148,580,000, which is convertible into 74,290,000 Shares upon full conversion at the current conversion price of HK\$2.00. Part of the New Option 1 Bonds in the principal amount of approximately HK\$26,220,000 will be due in May 2021, and the remaining outstanding principal amount of HK\$122,360,000 will be payable on the New Option 1 Bonds Maturity Date, i.e. 7 November 2021. The New Option 1 Bonds carry an interest of 8.5% per annum which is payable in arrear on the New Option 1 Bonds Maturity Date.

Details of the aforesaid existing bank borrowing to be repaid by the Group (including the Borrower, the interest rate, maturity date and outstanding balance) are as follows:

Tranche	Borrower	Interest rate	Maturity date	Outstanding balance of principal amount as at the date of this announcement (HK\$)
1	Champ Technology Limited	3-month HIBOR+5%	30 June 2021	78,500,000
2	Champ Technology Limited	1-month HIBOR+9%	30 June 2021	130,000,000

The Company has considered alternative fundraising means. As regards debt financing, the Company has approached various different financial institutions, most of which provided banking facilities proposals ranging from one to twenty years with an interest rate of HIBOR plus a fixed rate to refinance the Group's current liabilities, but the Company has found it challenging to obtain approval from such financial institutions unless the Supreme People's Court of the PRC makes a judgment in respect of a civil litigation filed by Dongguan Tianyi Electronic Company Limited, a subsidiary of the Company, in the PRC in favour of the Group in relation to the payment for continued use of terminals for China Welfare Lottery Video Lottery — VLT (“**Welfare VLT**”) by Beijing China Lottery Online Technology Company Limited (“**CLO**”) after expiry of the relevant supply contract and awards damages of approximately RMB1.36 billion. The potential judgment sum is expected to have a significant impact on the financial position and repayment ability of the Group. Details of such civil litigation in the PRC are set out on pages 20 and 26 of the 2020 Interim Report. Given the pending outcome of the aforementioned litigation and the current financial market conditions in Hong Kong, the Board is of the view that it would be difficult for the Group to obtain sufficient debt financing in a timely manner.

As regards equity financing, the Company has considered (i) a sole placement of new Shares or an issue of convertible bonds; and (ii) an open offer. The Board considers a rights issue that enables all Qualifying Shareholders to be able to invest in the future growth of the Company to be preferable to a sole placing of new shares or convertible bonds which would be limited to a number of investors only. In addition, a rights issue, as compared with an open offer, offers flexibility to the Shareholders to sell their entitled nil-paid rights if they do not wish to take up the entitlements.

The Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enable the Shareholders to maintain their interests in the Company and continue to invest in the future growth of the Group, provided that the Shareholders participate in the Rights Issue. After considering (i) the benefits and cost of the alternative fundraising means; and (ii) the importance of the fundraising exercise to the Company to satisfy its pressing financial needs, the Directors consider that the Rights Issue, together with the Placing, are in the interests of the Company and the Shareholders as a whole.

The Company had approached various brokerage companies (including the Placing Agent) to explore their interest in participating in the underwriting of the Rights Issue. None of such brokerage companies indicated their willingness, nor were they responsive, in participating in the underwriting of the Rights Issue mainly due to the lack of interest in the secondary fundraising activity, the recent downward trend of the market price and the low trading volume of the Shares, save and except for the Placing Agent which expressed interest in acting as a placing agent and on a best effort basis only.

As disclosed above, there are several impending repayment obligations which the Company is required to satisfy in the next 6 months. The Company had explored a range of fundraising options including both debt and equity financing but had encountered difficulty in securing a sufficient amount of funds for the various reasons set out above. As it has become critical for the Company to be able to raise funds as soon as possible to meet the aforementioned repayment obligations (including but not limited to the repayment of the New Option 1 Bonds in the principal amount of HK\$26,220,000 which will fall due in May 2021 and the repayment of an existing bank borrowing which will fall due on 30 June 2021), the Company has decided to conduct the Rights Issue on a non-underwritten basis and to conduct the Placing alongside the Rights Issue in order to implement its fundraising plan. The Rights Issue and Placing will enable the Group to secure funding if the level of subscription of the Rights Issue is low.

Should the Rights Shares not be subscribed for by the Qualifying Shareholders through their provisional allotments and excess applications, the Untaken Shares would be placed through the Placing Agent. Given (i) its funding needs; (ii) the priority that will be given to the Qualifying Shareholders to subscribe for the Rights Shares; and (iii) the unavailability of alternative fundraising means, the Company considers that it is reasonable to treat other potential investors fairly and equally and set the Placing Price at the Subscription Price so as to induce other investors to invest in the Company.

Having considered the above factors, including but not limited to the current financial position of the Group and the maturity dates of New Option 1 Bonds, and taking into account the benefits and cost of the alternative fundraising means, the Directors (excluding Ms. Chan and members of the Independent Board Committee whose opinion will be provided after taking into account the advice of Gram Capital) consider that the Rights Issue and the Placing will enable the Group to raise the necessary and sufficient funds in a timely manner to satisfy the Group's short term financial needs and thus improve the current financial position of the Group. Therefore, the Rights Issue and the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Save for the amendments to certain terms and conditions of the New Option 1 Bonds on 28 April 2020 under the Third Supplemental Trust Deed, the Company had not carried out any equity fundraising activities in the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE AND THE PLACING

The expected timetable for the proposed Rights Issue and the Placing is set out below:

Despatch date of the Circular, proxy form and notice of the SGM.....	Tuesday, 9 March 2021
Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM.....	4:30 p.m. on Tuesday, 23 March 2021
Closure of register of members of the Company to determine entitlement to attend and vote at the SGM	Wednesday, 24 March 2021 to Tuesday, 30 March 2021 (both days inclusive)
Latest time for lodging proxy forms for the SGM.....	11:00 a.m. on Sunday, 28 March 2021
Record date for attending and voting at the SGM.....	Tuesday, 30 March 2021
SGM.....	11:00 a.m. on Tuesday, 30 March 2021
Announcement of poll results of the SGM	Tuesday, 30 March 2021
Re-opening of the register of members of the Company	Wednesday, 31 March 2021
Last day of dealings in the Shares on a cum-entitlement basis	Wednesday, 31 March 2021
First day of dealings in the Shares on an ex-entitlement basis.....	Thursday, 1 April 2021
Latest time for lodging transfers of the Shares in order for the transferees to qualify for the Rights Issue	4:30 p.m. on Wednesday, 7 April 2021
Closure of register of members to determine the entitlements to the Rights Issue	Thursday, 8 April 2021 to Tuesday, 13 April 2021 (both days inclusive)

Record Date for the Rights Issue	Tuesday, 13 April 2021
Re-opening of the register of members of the Company	Wednesday, 14 April 2021
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Wednesday, 14 April 2021
First day of dealings in nil-paid Rights Shares	Friday, 16 April 2021
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 20 April 2021
Last day of dealings in nil-paid Rights Shares	Friday, 23 April 2021
Latest Time for Acceptance	4:00 p.m. on Wednesday, 28 April 2021
Announcement of the number of the Untaken Shares subject to the Placing	Thursday, 29 April 2021
Commencement of the Placing Period (if there are any Untaken Shares available)	Friday, 30 April 2021
Placing End Date for placing the Placing Shares	4:00 p.m. on Monday, 3 May 2021
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date	4:00 p.m. on Tuesday, 4 May 2021
Rights Issue Settlement Date and Placing completion date	Tuesday, 4 May 2021
Announcement of the results of the Rights Issue, the application for excess Rights Shares and the Placing	Tuesday, 4 May 2021
Despatch of share certificates for the Rights Shares and/or refund cheques	Wednesday, 5 May 2021
First day of dealings in the fully-paid Rights Shares, and if applicable, the Placing Shares	9:00 a.m. on Thursday, 6 May 2021

Notes:

- (1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this announcement are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.
- (2) All references to times and dates are references to Hong Kong times and dates.

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance will not take place if a tropical cyclone signal No. 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 28 April 2021, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 28 April 2021, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day on which none of the aforementioned warnings is in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Wednesday, 28 April 2021, the dates mentioned in the section headed “Expected Timetable for the Rights Issue and the Placing” in this announcement may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the excepted timetable as soon as practicable.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Rights Issue assuming (1) there is no change in the issued share capital of the Company from the date of this announcement and up to and including the Record Date; and (2) there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date:

I. Assuming there is no change in the issued share capital of the Company

Shareholder	As at the date of this announcement		Immediately upon the Rights Issue Completion assuming full acceptance by all Qualifying Shareholders under the Rights Issue		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; and (b) all the excess Rights Shares are subscribed for by Ms. Lau		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares; and (c) all the Untaken Shares are placed to Independent Third Parties under the Placing		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking; and (c) no Independent Third Parties take up the Untaken Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau ^(Note 1)	91,509,437	8.89	274,528,311	8.89	2,150,470,903	69.63	891,509,437	28.87	891,509,437	48.73
<i>Parties acting in concert with Ms. Lau</i>										
Hang Sing Overseas Limited ^(Note 2)	7,505,287	0.73	22,515,861	0.73	7,505,287	0.24	7,505,287	0.24	7,505,287	0.41
Strong Purpose Corporation ^(Note 3)	13,773,554	1.34	41,320,662	1.34	13,773,554	0.45	13,773,554	0.45	13,773,554	0.75
Glory Add Limited ^(Note 4)	51,249,259	4.98	153,747,777	4.98	51,249,259	1.66	51,249,259	1.66	51,249,259	2.80
Mr. Chan Shing ^(Note 5)	24,248,642	2.36	75,745,926	2.36	24,248,642	0.79	24,248,642	0.79	24,248,642	1.33
Ms. Chan ^(Note 6)	15,936,000	1.54	47,808,000	1.54	15,936,000	0.51	15,936,000	0.51	15,936,000	0.87
Sub-total of Ms. Lau and parties acting in concert with the her	204,222,179	19.84	612,666,537	19.84	2,263,183,645	73.28	1,004,222,179	32.52	1,004,222,179	54.89
<i>Other Directors^(Note 7)</i>										
Mr. Wu Jingwei ^(Note 8)	8,220,000	0.80	24,660,000	0.80	8,220,000	0.27	8,220,000	0.27	8,220,000	0.45
Mr. Li Zi Kui ^(Note 8)	2,800,000	0.27	8,400,000	0.27	2,800,000	0.09	2,800,000	0.09	2,800,000	0.15
Ms. Zhu Xinxin ^(Notes 8 and 9)	1,850,000	0.18	5,550,000	0.18	1,850,000	0.06	1,850,000	0.06	1,850,000	0.10
Mr. Huang Shenglan ^(Note 8)	110,000	0.01	330,000	0.01	110,000	0.00	110,000	0.00	110,000	0.01
Mr. Cui Shuming ^(Note 8)	200,000	0.02	600,000	0.02	200,000	0.01	200,000	0.01	200,000	0.01
Sub-total	13,180,000	1.28	39,540,000	1.28	13,180,000	0.43	13,180,000	0.43	13,180,000	0.72
Independent places	—	—	—	—	—	—	1,258,961,466	40.76	—	—
Other public Shareholders	812,078,554	78.88	2,436,235,662	78.88	812,078,554	26.29	812,078,554	26.29	812,078,554	44.39
Total	1,029,480,733	100.00	3,088,442,199	100.00	3,088,442,199	100.00	3,088,442,199	100.00	1,829,480,733	100.00

II. Assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date

Shareholder	As at the date of this announcement		Immediately upon the Rights Issue Completion assuming full acceptance by all Qualifying Shareholders under the Rights Issue		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; and (b) all the excess Rights Shares were subscribed for by Ms. Lau		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking; (c) all the Untaken Shares were placed to Independent Third Parties under the Placing		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking;; and (c) no Independent Third Parties took up the Untaken Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau ^(Note 1)	91,509,437	8.89	274,528,311	8.29	2,299,050,903	69.42	891,509,437	26.92	891,509,437	46.83
Parties acting in concert with Ms. Lau										
Hang Sing Overseas Limited ^(Note 2)	7,505,287	0.73	22,515,861	0.68	7,505,287	0.23	7,505,287	0.23	7,505,287	0.39
Strong Purpose Corporation ^(Note 3)	13,773,554	1.34	41,320,662	1.25	13,773,554	0.42	13,773,554	0.42	13,773,554	0.72
Glory Add Limited ^(Note 4)	51,249,259	4.98	153,747,777	4.64	51,249,259	1.55	51,249,259	1.55	51,249,259	2.69
Mr. Chan Shing ^(Note 5)	24,248,642	2.36	75,745,926	2.20	24,248,642	0.73	24,248,642	0.73	24,248,642	1.27
Ms. Chan ^(Note 6)	15,936,000	1.54	47,808,000	1.44	15,936,000	0.48	15,936,000	0.48	15,936,000	0.84
Sub-total of Ms. Lau and parties acting in concert with the her	204,222,179	19.84	612,666,537	18.50	2,411,763,645	72.83	1,004,222,179	30.33	1,004,222,179	52.74
<i>Other Directors^(Notes 7 and 10)</i>										
Mr. Wu Jingwei ^(Note 8)	8,220,000	0.80	24,660,000	0.74	8,220,000	0.25	8,220,000	0.25	8,220,000	0.43
Mr. Li Zi Kui ^(Note 8)	2,800,000	0.27	8,400,000	0.25	2,800,000	0.08	2,800,000	0.08	2,800,000	0.15
Ms. Zhu Xinxin ^(Notes 8 and 9)	1,850,000	0.18	5,550,000	0.17	1,850,000	0.06	1,850,000	0.06	1,850,000	0.10
Mr. Huang Shenglan ^(Note 8)	110,000	0.01	330,000	0.01	110,000	0.00	110,000	0.00	110,000	0.01
Mr. Cui Shuming ^(Note 8)	200,000	0.02	600,000	0.02	200,000	0.01	200,000	0.01	200,000	0.01
Sub-total	13,180,000	1.28	39,540,000	1.19	13,180,000	0.40	13,180,000	0.40	13,180,000	0.70
Independent places	—	—	—	—	—	—	1,407,541,466	42.50	—	—
Holder of New Option 1 Bond	—	—	222,870,000	6.73	74,290,000	2.24	74,290,000	2.24	74,290,000	3.90
Other public Shareholders	812,078,554	78.88	2,436,235,662	73.58	812,078,554	24.53	812,078,554	24.53	812,078,554	42.66
Total	1,029,480,733	100.00	3,311,312,199	100.00	3,311,312,199	100.00	3,311,312,199	100.00	1,903,770,733	100.00

Notes:

- As at the date of this announcement, Ms. Lau, as beneficial owner, together with entities controlled by her, namely, (i) Hang Sing Overseas Limited; (2) Strong Purpose Corporation; and (3) Glory Add Limited, is interested in a total of 164,037,537 Shares, the details of which are set out in the table above and notes 2 to 4 below.
- Hang Sing Overseas Limited is wholly owned by Orient Strength Limited, which is wholly owned by Ms. Lau. Ms. Lau is therefore deemed to be interested in the Shares held by Hang Sing Overseas Limited under the SFO.

3. Strong Purpose Corporation is wholly owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO.
4. Glory Add Limited is wholly owned by Favor King Limited, which is wholly owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
5. Mr. Chan Shing is a party acting in concert with Ms. Lau. Please also refer to notes 3 and 4 above for the interest held by entities controlled by Mr. Chan Shing.
6. Ms. Chan is the daughter of Ms. Lau and an executive Director. By virtue of being a close relative of Ms. Lau, Ms. Chan is presumed to be a party acting in concert with Ms. Lau pursuant to class (8) presumption under the definition of “acting in concert” under the Takeovers Code.
7. The Shares held by the other Directors consist of the Shares held by Directors other than Ms. Chan.
8. Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin are executive Directors, and Mr. Huang Shenglan and Mr. Cui Shuming are independent non-executive Directors. Pursuant to Rule 7.27A(1) of the Listing Rules, where there is no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.
9. Ms. Zhu Xinxin is a niece of Ms. Lau and a cousin of Ms. Chan and was appointed as an executive Director of the Company with effect from 18 June 2019 by the Board on 18 June 2019 in accordance with bye-law 102(B) of the Company. Ms. Zhu is not a party acting in concert with Ms. Lau.
10. Save for Ms. Chan, each of the Directors confirm that he/she is not involved in the discussion and negotiation in respect of the Rights Issue, the Set-Off and the Whitewash Waiver.

As illustrated above, assuming (i) there is no change in the issued share capital of the Company; (ii) no Qualifying Shareholder (other than Ms. Lau, who subscribes for the Undertaken Shares) subscribes for any Rights Shares; and (iii) no Placing Shares are successfully placed to independent placees, the shareholding of the existing public Shareholders would be reduced from approximately 78.88% as at the date of this announcement to approximately 44.39% upon the Rights Issue Completion.

Similarly, assuming (i) there is no change in the issued share capital of the Company (other than the full exercise of conversion rights under the New Option 1 Bonds on or before the Record Date); (ii) no Qualifying Shareholder (other than Ms. Lau, who subscribes for the Undertaken Shares) subscribes for any Rights Shares; and (iii) no Placing Shares are successfully placed to independent placees, the shareholding of the existing public Shareholders would be reduced from approximately 78.88% as at the date of this announcement to approximately 42.66% upon the Rights Issue Completion.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

LISTING RULES IMPLICATIONS

The Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this announcement, the Rights Issue is conditional upon the minority Shareholders' approval of at the SGM, and any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin and their respective associates shall abstain from voting in respect of the resolution relating to the Rights Issue at the SGM.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM.

The Set-Off

As at the date of this announcement, Ms. Lau is a substantial Shareholder and therefore a connected person of the Company. Accordingly, the Set-Off Deed and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and will be subject to Independent Shareholders' approval at the SGM.

As Ms. Chan, as an executive Director and daughter of Ms. Lau, is materially interested in the Set-Off, she was required to abstain from voting on the Board resolutions approving the same.

TAKEOVERS CODE IMPLICATIONS

The Rights Issue and Whitewash Waiver

As at the date of this announcement, Ms. Lau and parties acting in concert with her are interested in 204,222,179 Shares, representing approximately 19.84% of the total number of issued Shares.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Share; and (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the maximum number of excess Rights Shares, being 1,875,942,592 Rights Shares, the voting rights of the Company held by Ms. Lau and parties

acting in concert with her will increase from approximately 19.84% to 73.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Share; and (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the maximum number of excess Rights Shares, being 2,024,522,592 Rights Shares, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 72.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the Undertaken Shares; and (iv) all the Untaken Shares were placed to Independent Third Parties under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 30.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has accepted all Entitlement Shares and applied for, and successfully been allotted, the Undertaken Shares; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 52.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

In such circumstances, the acceptance in full by Ms. Lau of the Entitlement Shares allotted to her pursuant to the Irrevocable Undertaking and/or the allotment of excess Rights Shares to her upon successful excess application when there is an undersubscription of the Rights Issue will trigger an obligation on Ms. Lau to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by Ms. Lau and parties acting in concert with her, unless a waiver is granted by the Executive. Ms. Lau will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, and the approval of the Rights Issue by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, respectively, at the SGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or the Rights Issue is not approved by the Independent Shareholders, the Rights Issue will not proceed.

As at the date of this announcement, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If concerns arise after the date of this announcement, the Company will use its best endeavours to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

As at the date of this announcement:

- (i) save as disclosed in the section headed “Effect of the Rights Issue on the shareholding structure of the Company” in this announcement, Ms. Lau and parties acting in concert with her do not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or hold any outstanding derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) none of Ms. Lau or any parties acting in concert with her had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to and including the date of this announcement;
- (iii) none of Ms. Lau or parties acting in concert with her has received any irrevocable commitment to accept the Rights Issue;
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, details of which are set out in the section headed “The Irrevocable Undertaking” of this announcement, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company between Ms. Lau and/or parties acting in concert with her on the one hand and any person on the other hand and which might be material to the Rights Issue and/or the Whitewash Waiver;
- (v) save for the Rights Issue being conditional upon obtaining of the Whitewash Waiver by Ms. Lau as set out in the section headed “Conditions of the Rights Issue” of this announcement, there is no agreement or arrangement to which Ms. Lau or any parties

acting in concert with her is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Rights Issue and/or the Whitewash Waiver;

- (vi) none of Ms. Lau or parties acting in concert with her has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) apart from the Rights Shares to be subscribed for by Ms. Lau and parties acting in concert with her, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by Ms. Lau or parties acting in concert with her to the Company in connection with the Rights Issue and/or the Whitewash Waiver;
- (viii) apart from the Irrevocable Undertaking, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Ms. Lau or parties acting in concert with her on one hand, and the Company on the other hand; and
- (ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) Ms. Lau or parties acting in concert with her; or (b) the Company, its subsidiaries or associated companies.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming, to advise the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver and as to the voting action therefor.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the Company has an authorised share capital of HK\$40,000,000 divided into 1,600,000,000 Shares of HK\$0.025 each, of which 1,029,480,733 Shares have been issued and are fully paid or credited as fully paid. In addition, there are outstanding New Option 1 Bonds in the principal amount of HK\$148,580,000, which are convertible into 74,290,000 Shares upon full conversion at the current conversion price of HK\$2.00 per Share.

In order to facilitate the Rights Issue and the Placing and to provide the Company with flexibility for fundraising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes, the Board proposes that the authorised share capital of the Company be increased from HK\$40,000,000 to HK\$125,000,000 by the creation of 3,400,000,000 additional Shares, all of which will,

upon issue and being fully paid, rank *pari passu* in all respects with the Shares in issue. The Increase in Authorised Share Capital is subject to the approval by the Shareholders by way of an ordinary resolution at the SGM.

ADJUSTMENT TO CONVERSION PRICE OF NEW OPTION 1 BONDS

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, 28 March 2019, 13 June 2019, 1 November 2019, 4 November 2019, 23 April 2020 and 28 April 2020 in relation to the New Option 1 Bonds.

Pursuant to the terms and conditions of the New Option 1 Bonds, if the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case, at less than 95% of the current market price of the Shares (as defined in the terms and conditions of the New Option 1 Bonds) on the date of announcement of the terms of such issue, the conversion price of the New Option 1 Bonds (the “**New Option 1 Bonds Conversion Price**”) shall be adjusted pursuant to the terms and conditions of the New Option 1 Bonds and shall become effective on the date of issue of such securities or where a record date is set, the first date on which the Shares are traded ex-rights.

Notice is hereby given that based on the adjustment provisions stipulated under condition 6C(4) of the terms and conditions of the New Option 1 Bonds, an adjustment shall be made to the New Option 1 Bonds Conversion Price as a result of the issue of the Rights Shares upon the Rights Issue Completion. Further announcement(s) in relation to the adjusted New Option 1 Bonds Conversion Price and the additional number of Shares that will be issued upon conversion of all the outstanding New Option 1 Bonds based on the adjusted New Option 1 Bonds Conversion Price will be made by the Company as and when appropriate in compliance with the Listing Rules.

SGM AND INDEPENDENT SHAREHOLDERS’ APPROVAL

The SGM will be convened and held to consider and, if thought fit, approve, the Rights Issue, the Placing (including the Specific Mandate), the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital.

Ms. Lau and parties acting in concert with her, and the executive Directors and their respective associates and Shareholders who are involved in or interested in the Rights Issue will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue at the SGM.

Ms. Lau and parties acting in concert with her and Shareholders who are involved in or interested in the Set-Off and/or the Whitewash Waiver (as applicable) will be required to abstain from voting in respect of the resolution(s) to approve the Set-Off and the Whitewash Waiver at the SGM.

Under the Takeovers Code and the Listing Rules, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, and the resolution(s) in relation to

the Rights Issue and the Set-Off shall be approved by at least 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, respectively, at the SGM.

As at the date of this announcement, save for (i) Ms. Lau and parties acting in concert with her; and (ii) Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin, being the executive Directors and their respective associates who are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue under Rule 7.27A(1) of the Listing Rules, no other Shareholder is involved in or interested in the Rights Issue, the Set-Off and/or the Whitewash Waiver and will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue, the Set-Off and/or the Whitewash Waiver at the SGM.

DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR

The Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL and EAF on or before Wednesday, 14 April 2021. A copy of the Prospectus will also be made available on the websites of the Company (www.chinalotsynergy.com) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL or the EAF to them.

The Circular containing, among other things, (i) further information regarding the Rights Issue, the Placing, the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) the notice of the SGM is required to be despatched to the Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Tuesday, 9 March 2021).

WARNING OF THE RISKS OF DEALING IN SHARES

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE RIGHTS ISSUE AND THE PLACING ARE CONDITIONAL UPON, AMONG OTHERS, CONDITIONS SET OUT IN THE SECTION HEADED “CONDITIONS OF THE RIGHTS ISSUE” AND “CONDITIONS OF THE PLACING” IN THIS ANNOUNCEMENT, RESPECTIVELY. ACCORDINGLY, THE RIGHTS ISSUE AND/OR THE PLACING MAY OR MAY NOT PROCEED.

ANY DEALINGS IN THE SHARES FROM THE DATE OF THIS ANNOUNCEMENT UP TO THE DATE ON WHICH ALL THE CONDITIONS OF THE RIGHTS ISSUE AND THE PLACING ARE FULFILLED WILL BEAR THE RISK THAT THE RIGHTS ISSUE AND/OR THE PLACING MAY NOT BECOME UNCONDITIONAL OR MAY NOT PROCEED.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE IN CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 February 2021 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 February 2021.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Amended Loan Agreement”	the Loan Agreement as supplemented by the Supplemental Loan Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Borrower”	China LotSynergy Limited (華彩資源有限公司), a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in respect of, among other things, the Rights Issue, the Placing, the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital
“Companies Registry”	Companies Registry of Hong Kong

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1371)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF”	the form(s) of application for the excess Rights Shares
“Entitlement Shares”	183,018,874 Rights Shares to be provisionally allotted to Ms. Lau in respect of the Shares held by her pursuant to the Irrevocable Undertaking
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“First Supplemental Trust Deed”	the supplemental trust deed dated 28 March 2019 entered into between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds, including in respect of the maturity date, interest and interest payment date and conversion price, details of which are disclosed in the announcements of the Company dated 22 March 2019 and 28 March 2019, respectively
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$40,000,000 divided into 1,600,000,000 Shares to HK\$125,000,000 divided into 5,000,000,000 Shares

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming, which has been established to advise the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver
“Independent Shareholders”	<p>in respect of the Rights Issue only, Shareholders other than (i) Ms. Lau and parties acting in concert with her; (ii) all executive Directors and their respective associates (as defined under the Listing Rules); (iii) those who are involved in or interested in the Rights Issue; and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM;</p> <p>in respect of the Set-Off and the Whitewash Waiver only, Shareholders other than (i) Ms. Lau and parties acting in concert with her; (ii) those who are involved in or interested in the Set-Off and/or the Whitewash Waiver (as the case may be); and (iii) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM</p>
“Independent Third Parties”	third parties independent from, and not connected with, the Company and its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking dated 29 January 2021 given by Ms. Lau in favour of the Company, as amended and supplemented by the supplemental deed to irrevocable undertaking dated 16 February 2021 given by Ms. Lau in favour of the Company
“Last Trading Day”	29 January 2021, being the last trading day for the Shares immediately prior to the date of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 28 April 2021 (or such other time and date as may be determined by the Company), being the latest time for the application of, and payment for, the Rights Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	the loan agreement dated 21 January 2020 entered into between Ms. Lau as lender and the Borrower as borrower in respect of the advance of unsecured loan of HK\$50,000,000
“Ms. Chan”	Ms. Chan Tan Na, Donna (陳丹娜), the chairperson of the Board, an executive Director and the daughter of Ms. Lau
“Ms. Lau”	Ms. Lau Ting (劉婷), a substantial Shareholder and the mother of Ms. Chan
“New Option 1 Bonds”	the Hong Kong dollar denominated unsecured convertible bonds with an outstanding principal amount of HK\$148,580,000 as at the date of this announcement issued by the Company on 7 April 2017 with a maturity date of 7 November 2021 (as the same was amended by the execution of the Supplemental Trust Deeds and may from time to time be further amended and/or supplemented), which is held by an Independent Third Party as at the date of this announcement
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at 5:00 p.m. on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Placing Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and independent from, and not acting in concert with, Ms. Lau under the Placing Agreement
“Placing Agent”	Cornerstone Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities

“Placing Agreement”	the agreement dated 16 February 2021 entered into between the Company and the Placing Agent in respect of the Placing
“Placing End Date”	Monday, 3 May 2021, being the third Business Day following and excluding the day on which the Latest Time for Acceptance falls, or such other dates as the Company may announce
“Placing Long Stop Date”	4:00 p.m. on Tuesday, 4 May 2021 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period from Friday, 30 April 2021 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Price”	HK\$0.10 per Placing Share
“Placing Share(s)”	Untaken Share(s)
“Posting Date”	Wednesday, 14 April 2021, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which provisional allotments under the Rights Issue are expected to be determined, which is Tuesday, 13 April 2021 or such later date as may be determined and announced by the Company
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office
“Relevant Excess Shares”	such excess Rights Shares to be applied for by Ms. Lau

“Rights Issue”	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of two (2) Rights Shares for every one (1) existing Share held by the Shareholders on the Record Date and subject to the conditions set out in the section headed “Conditions of the Rights Issue” in this announcement
“Rights Issue Completion”	completion of the Rights Issue
“Rights Issue Settlement Date”	Tuesday, 4 May 2021
“Rights Shares”	the new Share(s) to be allotted and issued under the Rights Issue, being up to 2,207,541,466 Shares (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the New Option 1 Bonds)
“Second Supplemental Trust Deed”	the second supplemental trust deed dated 4 November 2019 entered into between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds, including in respect of the maturity date, repayment schedule and redemption rights, details of which are disclosed in the announcements of the Company dated 1 November 2019 and 4 November 2019, respectively
“Set-Off”	the set-off of the Shareholder’s Loan against the equivalent amount of subscription price of the Entitlement Shares and the Relevant Excess Shares allocated to Ms. Lau pursuant to the terms of the Set-Off Deed
“Set-Off Amount”	the amount of the Shareholder’s Loan to be offset against the aggregated subscription price of the relevant Rights Shares pursuant to the terms of the Set-Off Deed
“Set-Off Deed”	the deed of set-off dated 29 January 2021 entered into by the Company, the Borrower and Ms. Lau in respect of the Set-Off, as amended and supplemented by the supplemental deed to deed of set-off dated 16 February 2021 entered into by the Company, the Borrower and Ms. Lau
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Rights Issue, the Placing (including the Specific Mandate), the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital
“Share(s)”	ordinary share(s) with par value of HK\$0.025 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the unsecured loan in the principal amount of HK\$50.00 million at an interest rate of 9.50% per annum advanced by Ms. Lau to the Borrower pursuant to the Amended Loan Agreement
“Specific Mandate”	the specific mandate to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Loan Agreement”	the supplemental loan agreement to the Loan Agreement dated 20 January 2021 entered into between Ms. Lau as Lender and the Borrower as borrower in respect of the extension of the maturity date of the Shareholder’s Loan to 20 January 2022
“Supplemental Trust Deeds”	collectively, the First Supplemental Trust Deed, the Second Supplemental Trust Deed and the Third Supplemental Trust Deed
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Supplemental Trust Deed”	the third supplemental trust deed dated 28 April 2020 entered into between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds, including in respect of the maturity date and the repayment schedule, details of which are disclosed in the announcements of the Company dated 23 April 2020 and 28 April 2020, respectively
“Undertaken Share(s)”	800,000,000 Rights Shares to be subscribed for by Ms. Lau pursuant to the Irrevocable Undertaking

“Untaken Share(s)”	the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renounee(s) or transferee(s) of nil-paid rights whether under PAL(s) or EAF(s) during the Rights Issue
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of Ms. Lau to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by Ms. Lau and any parties acting in concert with her as a result of the issue of the Rights Shares subject to the terms and conditions as set out in this announcement
“%”	per cent.

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

Hong Kong, 16 February 2021

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.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, 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.

Certain figures included in this announcement have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.