

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

MATERIAL MATTER - UPDATE ON THE LATEST DEVELOPMENT OF VLT BUSINESS

The Board is pleased to announce that the remuneration for continued use of the Group's VLT terminals after expiry of the Cooperation Contract shall be paid by CLO, according to the judgement rendered by People's High Court of Beijing.

The Board of Directors (the "Board") of China LotSynergy Holdings Limited* (the "Company", together with its subsidiaries, collectively referred to as the "Group") is pleased to announce that, on 10 August 2018, People's High Court of Beijing ruled that the remuneration for continued use of Welfare Video Lottery ("Welfare VLT") terminals provided by Dongguan Tianyi Electronics Company Limited ("DGTY"), a subsidiary of the Company, after the expiry of the Welfare VLT Cooperation Contract ("Cooperation Contract") amounted to RMB1,360,211,853 and interest shall be paid by Beijing China Lottery Online Technology Company Limited ("CLO").

On 29 June 2005, DGTY and CLO entered into the Cooperation Contract, pursuant to which DGTY shall provide CLO with Welfare VLT terminals, while CLO shall pay DGTY remuneration based on Welfare VLT sales. According to the Cooperation Contract, DGTY has full ownership of the Welfare VLT terminals generating all the sales of Welfare VLT. The Cooperation Contract expired on 28 June 2015. After the expiry of the Cooperation Contract, CLO has continued to run Welfare VLT business with the VLT terminals provided by DGTY and refused to pay the remuneration for the relevant period. As disclosed in the Management Discussion and Analysis of the Company's 2017 Annual Report, in order to protect the Group's lawful rights and interests, DGTY has filed a civil action with the People's High Court of Beijing claiming the remuneration from CLO for the continued use of VLT terminals provided by DGTY during the term and after the expiry of the Cooperation Contract.

Based on the contract provisions and performance facts, People's High Court of Beijing determined that: CLO has not withdrawn from use of the VLT terminals provided by DGTY up to the time of the action, although CLO and DGTY have not entered into a new cooperation contract after the expiry of the Cooperation Contract. CLO argued that it has the ownership of the VLT terminals, however, its correspondence contradicts its argument. Given that the ownership of the VLT terminals is not expressly attributed to CLO, and the parties have not agreed on the amount and method of payment, DGTY's claim on remuneration against CLO according to the payment rate agreed in the original Cooperation Contract was not improper, nor did it violate any mandatory provision of the laws and regulations. DGTY's claims in relation to claiming cooperation remuneration and part of the interest from CLO is in conformity with facts, has legal basis and should therefore be supported.

People's High Court of Beijing ruled that CLO is required to pay DGTY cooperation remuneration for 1 June 2015 to 26 March 2017 which amounted to RMB1,360,211,853 and interest calculated at the benchmark interest rates published by the People's Bank of China within 10 days after the effective date of judgment.

As of the date of this announcement, CLO is still engaged in Welfare VLT business with continued use of VLT terminals provided by DGTY. Based on the same nature between the facts of CLO's continued use of the VLT terminals after 26 March 2017 and that of the action, coupled with the evidentiary validity of the facts and validity of the outcome of the case identified in the judgment, should the judgment comes into effect, DGTY shall have the right to require CLO to pay for the continued use of the VLT terminals in accordance with the specifications set out in the judgment. Of course it is also possible that a settlement may be reached by the parties and a new cooperation plan may be negotiated.

The Group would continuously make efforts for the Chinese lottery business and maintains the VLT terminals it provided in fully operational condition so as to support the distribution of Welfare VLT. In the meantime, the Group would abide by the standard and spirit of the legal judgement, exercise the Group's rights and protect the legal interests of the Group.

Both parties have the right to appeal the judgment under the relevant law. Shareholders and the potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 13 August 2018

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

** For identification purposes only*