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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RESULTS (AUDITED)

Reference is made to the announcement of China LotSynergy Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) dated 31 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (“2019 Unaudited Annual Results”), the Company’s announcements dated 5 May 2020 and 29 May 2020 respectively in relation to delay in publication of audited annual results announcement and annual report and the Company’s announcements dated 3 June 2020 in relation to grant of waiver under Rule 13.46(2)(a) of the Listing Rules.

The financial information contained in the announcement of 2019 Unaudited Annual Results was neither audited nor agreed with the Company’s auditors as at the date of its publication. After completion of the audit of consolidated financial statement of the Group for the year ended 31 December 2019, some adjustments were made to the 2019 Unaudited Annual Results. The board of directors of the Company (the “Board” or the “Directors”) hereby presents the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	3	154,354	183,927
Costs of sales and services			
— Depreciation of lottery terminals		(33,456)	(35,661)
— Others		(59,406)	(52,325)
		<u>(92,862)</u>	<u>(87,986)</u>
Gross profit		61,492	95,941
Other income	5	57,459	39,840
Other gains — net	6	6,068	13,819
Net impairment losses on financial assets		(406,496)	(66,062)
General and administrative expenses		(203,038)	(185,083)
Share option expenses		(5,065)	(13,237)
		<u>(489,580)</u>	<u>(114,782)</u>
Operating loss	7	(489,580)	(114,782)
Finance costs	8	(53,922)	(33,396)
Share of losses of associates		(663)	(4,022)
Share of loss of a joint venture		(2,180)	(1,660)
		<u>(546,345)</u>	<u>(153,860)</u>
Loss before income tax		(546,345)	(153,860)
Income tax expense	9	(3,755)	(8,861)
		<u>(550,100)</u>	<u>(162,721)</u>
(Loss)/Profit attributable to:			
Owners of the Company		(518,793)	(169,468)
Non-controlling interests		(31,307)	6,747
		<u>(550,100)</u>	<u>(162,721)</u>
Loss per share attributable to owners of the Company during the year			Restated
— basic	10	<u>(51.76) HK cents</u>	<u>(18.02) HK cents</u>
— diluted	10	<u>(51.76) HK cents</u>	<u>(18.02) HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year	(550,100)	(162,721)
Other comprehensive expense:		
<i>Items that may be reclassified to profit or loss</i>		
Release of currency translation reserve upon disposal of subsidiaries	–	(54)
Currency translation differences	(12,889)	(36,254)
Share of other comprehensive expense of associates and joint venture	(139)	(502)
	<u>(13,028)</u>	<u>(36,810)</u>
Other comprehensive expense for the year	(13,028)	(36,810)
Total comprehensive expense for the year	<u>(563,128)</u>	<u>(199,531)</u>
Attributable to:		
Owners of the Company	(526,765)	(191,095)
Non-controlling interests	(36,363)	(8,436)
	<u>(563,128)</u>	<u>(199,531)</u>
Total comprehensive expense for the year	<u>(563,128)</u>	<u>(199,531)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		130,170	279,358
Right-of-use assets		180,614	–
Intangible assets		445,751	455,217
Interests in associates		2,847	35,572
Investment in a joint venture		2,418	4,675
Financial assets at fair value through profit or loss		7,583	8,561
Deferred income tax assets		–	5,607
		769,383	788,990
Current assets			
Inventories		13,660	18,850
Accounts receivable	<i>11</i>	73,620	83,574
Prepayments, deposits and other receivables		159,533	584,369
Cash and bank balances		64,726	146,021
		311,539	832,814
Total assets		1,080,922	1,621,804
Current liabilities			
Accounts payable	<i>12</i>	2,918	456
Accruals and other payables		41,384	49,910
Contract liabilities		18,992	3,043
Amount due to a joint venture		7,902	7,550
Tax payable		6,396	7,043
Bank borrowings		245,500	262,274
Lease liabilities		9,169	–
Convertible bonds		147,400	172,480
		479,661	502,756
Net current (liabilities)/assets		(168,122)	330,058
Total assets less current liabilities		601,261	1,119,048

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Cont'd*)*At 31 December 2019*

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		38,233	46,854
Lease liabilities		31,511	–
		<hr/> 69,744	<hr/> 46,854
Net assets		<hr/> 531,517	<hr/> 1,072,194
Equity attributable to owners of the Company			
Share capital	<i>13</i>	25,737	24,399
Reserves		1,389,169	1,375,614
Accumulated losses		(1,179,323)	(667,311)
		<hr/> 235,583	<hr/> 732,702
Non-controlling interests		<hr/> 295,934	<hr/> 339,492
Total equity		<hr/> 531,517	<hr/> 1,072,194

Notes:

1. GENERAL INFORMATION

China LotSynergy Holdings Limited (the “Company”) was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act of Bermuda.

The Company and its subsidiaries (collectively referred to as the “Group”) are technology and operation service providers and suppliers of lottery systems, terminal equipment and gaming products in the China’s lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and KENO-type lottery to new media lottery. During the year, the Group commenced the business engaging in research and development, processing, production and sales of natural and health food.

The Company’s shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

Going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$550,100,000 for the year ended 31 December 2019 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$168,122,000. These current liabilities included bank borrowings amounting to approximately HK\$245,500,000 and convertible bonds that will be due in the coming twelve months amounting to approximately HK\$147,400,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern.

In view of such circumstances, the directors of the Company have taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group:

- (a) Convertible bonds with principal amount of HK\$174,800,000 issued by the Company (the “New Option 1 Bonds”) would mature on 7 November 2020. Subsequent to the end of the reporting period, the Group has entered into the third supplementary trust deed with the bondholder of the New Option 1 Bonds to further extend the maturity date from 7 November 2020 to 7 November 2021.
- (b) Subsequent to the end of the reporting period, the Group has entered into a legally binding provisional sale and purchase agreement dated 18 June 2020 with an independent third party to dispose of a property situated in Hong Kong at a consideration of approximately HK\$44,380,000. The net proceeds arising from the disposal would amount to approximately HK\$20,680,000, after deducting an amount of HK\$23,000,000 for repayment of the outstanding bank mortgage loan for discharging the charge over the property and the related expenses, and will be used for general working capital purposes by the Group.
- (c) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

2. BASIS OF PREPARATION (Cont'd)

Going concern (Cont'd)

The directors have evaluated the Group's revolving bank borrowings amounting to approximately HK\$222,500,000 as at 31 December 2019 that are secured by the Group's property located in Hong Kong. Taking into account the market value of the pledged property, the directors believe that the Group will be able to renew the banking facilities upon maturity dates.

The directors are of the opinion that, taking into account the above-mentioned measures and the expected renewals of the revolving bank borrowings, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The Group had to change its accounting policies as a result of adoption of HKFRS 16 *Leases* ("HKFRS 16"). The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. Most of the other amendments listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods. Set out below is the impact of adoption of HKFRS 16 on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.72%.

2. BASIS OF PREPARATION (Cont'd)

Changes in accounting policy and disclosures (Cont'd)

New and amended standards adopted by the Group (Cont'd)

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) *Measurement of lease liabilities*

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	61,188
Discounted using the lessee's incremental borrowing rate at the date of initial application	54,253
Less: short-term leases not recognised as a liability	(1,495)
Lease liabilities recognised as at 1 January 2019	<u>52,758</u>
Of which are:	
Current lease liabilities	14,786
Non-current lease liabilities	37,972
	<u>52,758</u>

2. BASIS OF PREPARATION (Cont'd)

Changes in accounting policy and disclosures (Cont'd)

New and amended standards adopted by the Group (Cont'd)

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Property, plant and equipment — decrease by approximately HK\$145,244,000
- Right-of-use assets — increase by approximately HK\$198,002,000
- Lease liabilities — increase by approximately HK\$52,758,000

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Sales of lottery terminals and related equipment	53,692	52,347
Sales of natural and health food	2,123	–
Provision of technical and maintenance services	22,260	7,687
Revenue from contracts with customers (within the scope of HKFRS 15)	78,075	60,034
Lease income from operating leases	76,279	123,893
Total revenue	154,354	183,927

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on revenue analysis by products.

During the year, the Group commenced the business engaging in research and development, processing, production and sales of natural and health food along with the acquisition of Qing Yu International Holding Limited (“Qing Yu”), and it is considered as a new operating and reportable segment by the chief operating decision maker.

4. SEGMENT INFORMATION (Cont'd)

Specifically, the Group's reportable segments are as follows:

1. Lottery systems, terminal equipment and related products — Provision of technology and operation service for lottery systems, terminal equipment and gaming products, and sales of lottery terminals and related equipment.
2. Natural and health food — Research and development, processing, production and sales of natural and health food.

Prior year segment disclosures have been represented to conform with the current year's presentation.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

2019	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Revenue from contracts with customers (within the scope of HKFRS 15)	75,952	2,123	78,075
Lease income	<u>76,279</u>	<u>–</u>	<u>76,279</u>
Revenue from external customers	<u>152,231</u>	<u>2,123</u>	<u>154,354</u>
Segment loss	<u>(26,402)</u>	<u>(20,795)</u>	<u>(47,197)</u>
Interest income			57,459
Fair value loss on financial assets at fair value through profit or loss			(978)
Gain on remeasurement of convertible bonds			58,144
Net impairment losses on financial assets			(406,496)
Impairment loss on interest in an associate			(32,000)
Finance costs			(53,922)
Share of losses of associates			(663)
Share of loss of a joint venture			(2,180)
Unallocated expenses			<u>(118,512)</u>
Loss before income tax			<u>(546,345)</u>

4. SEGMENT INFORMATION (Cont'd)

(a) Segment revenue and results (Cont'd)

2018	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Revenue from contracts with customers (within the scope of HKFRS 15)	60,034	–	60,034
Lease income	<u>123,893</u>	<u>–</u>	<u>123,893</u>
Revenue from external customers	<u>183,927</u>	<u>–</u>	<u>183,927</u>
Segment profit	<u>19,079</u>	<u>–</u>	19,079
Interest income			39,840
Fair value gain on financial assets at fair value through profit or loss			1,245
Fair value gain on embedded derivatives of convertible bonds			2,404
Gain on remeasurement of convertible bonds			8,350
Loss on disposal of subsidiaries			(94)
Net impairment losses on financial assets			(66,062)
Finance costs			(33,396)
Share of losses of associates			(4,022)
Share of loss of a joint venture			(1,660)
Unallocated expenses			<u>(119,544)</u>
Loss before income tax			<u>(153,860)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs (including directors' emoluments), share of losses of associates and joint venture, impairment of financial assets and interest in an associate, loss on disposal of subsidiaries, fair value gains/losses on financial assets at fair value through profit or loss and embedded derivatives of convertible bonds, gain on remeasurement of convertible bonds, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

There were no sales transactions between the operating segments.

4. SEGMENT INFORMATION (Cont'd)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2019 HK\$'000	2018 <i>HK\$'000</i>
Lottery systems, terminal equipment and related products	752,123	774,624
Natural and health food	4,627	–
	<hr/>	<hr/>
Total segment assets	756,750	774,624
Interests in associates	2,847	35,572
Investment in a joint venture	2,418	4,675
Unallocated	318,907	806,933
	<hr/>	<hr/>
Consolidated assets	1,080,922	1,621,804
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	2019 HK\$'000	2018 <i>HK\$'000</i>
Lottery systems, terminal equipment and related products	34,945	43,574
Natural and health food	22,095	–
	<hr/>	<hr/>
Total segment liabilities	57,040	43,574
Unallocated	492,365	506,036
	<hr/>	<hr/>
Consolidated liabilities	549,405	549,610
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in associates, investment in a joint venture, financial assets at fair value through profit or loss, deferred income tax assets, cash and bank balances, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than amount due to a joint venture, tax payable, bank borrowings, lease liabilities, convertible bonds, deferred income tax liabilities and other unallocated corporate liabilities.

4. SEGMENT INFORMATION (Cont'd)

(c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Lottery systems, terminal equipment and related products	Natural and health food	Unallocated	Total
2019	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	53,729	291	–	54,020
Depreciation and amortisation	58,519	17	9,233	67,769
Gain on disposal of right-use assets	427	–	67	494
Gain/(Loss) on disposal of property, plant and equipment	(218)	–	135	(83)
Impairment of goodwill	–	19,484	–	19,484
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Lottery systems, terminal equipment and related products	Natural and health food	Unallocated	Total
2018	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	14,578	–	35,316	49,894
Depreciation and amortisation	52,843	–	5,003	57,846
Loss on disposal of property, plant and equipment	–	–	32	32
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets exclude financial instruments and deferred income tax assets.

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical locations of assets.

	Revenue from external customers		Total non-current assets	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	145,747	176,494	592,451	582,521
Hong Kong	–	–	154,056	188,739
Others	8,607	7,433	15,293	3,562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	154,354	183,927	761,800	774,822

Note: Non-current assets exclude financial instruments and deferred income tax assets.

4. SEGMENT INFORMATION (Cont'd)

(e) Information about major customers

Revenue from major customers of which amounted to 10% or more of the total revenue, is set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	68,134	92,490
Customer B ¹	22,038	22,003
	<u><u> </u></u>	<u><u> </u></u>

¹ Revenue from lottery systems, terminal equipment and related products.

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income from bank deposits and loan receivables	57,459	39,840
	<u><u> </u></u>	<u><u> </u></u>

6. OTHER GAINS — NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fair value (loss)/gain on financial assets at fair value through profit or loss	(978)	1,245
Fair value gain on embedded derivatives of convertible bonds	–	2,404
Gain on remeasurement of convertible bonds	58,144	8,350
Gain on disposal of right-of-use assets	494	–
Loss on disposal of property, plant and equipment	(83)	(32)
Loss on disposal of subsidiaries	–	(94)
Impairment loss on interest in an associate	(32,000)	–
Impairment of goodwill	(19,484)	–
Foreign exchange (losses)/gains	(25)	1,946
	<u><u> </u></u>	<u><u> </u></u>
	6,068	13,819
	<u><u> </u></u>	<u><u> </u></u>

7. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Costs of sales and services		
— Depreciation of lottery terminals	33,456	35,661
— Amortisation of intangible assets	10,690	10,903
— Business tax	991	1,865
— Cost of inventories recognised as expense	44,113	31,673
— Repairs and maintenance	1,810	2,576
— Others	1,802	5,308
	<u>92,862</u>	<u>87,986</u>
Operating lease rentals in respect of land and buildings	–	15,319
Auditors' remuneration	1,380	1,380
Depreciation of other items of property, plant and equipment	6,250	10,477
Depreciation of right-of-use assets	16,901	–
	<u>16,901</u>	<u>–</u>

8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on bank borrowings	15,088	7,687
Interest expense on lease liabilities	2,004	–
Imputed interest expense on promissory note	282	–
Effective interest expense on convertible bonds	36,548	25,709
	<u>53,922</u>	<u>33,396</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2019 and 2018 as the Group had no assessable profits arising in or derived from Hong Kong for both years.

The applicable enterprise income tax rate for PRC subsidiaries is 25% (2018: 25%) except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2018: 15%).

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
— PRC Enterprise Income Tax	4,015	9,721
— PRC Withholding Tax	1,802	–
— Adjustments in respect of prior years	535	(1,585)
	<u>6,352</u>	<u>8,136</u>
Total current tax	6,352	8,136
Deferred tax		
— Origination and reversal of temporary differences	(2,597)	725
	<u>(2,597)</u>	<u>725</u>
Income tax expense	<u>3,755</u>	<u>8,861</u>

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of 1,002,276,624 (2018 Restated: 940,592,377) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended 31 December 2019 and 2018 has been adjusted for the consolidation of shares on 14 June 2019 (the “Share Consolidation”).

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the conversion of the convertible bonds and the exercise of share options since their assumed conversion and exercise would result in a decrease in loss per share.

11. ACCOUNTS RECEIVABLE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Lease receivables	69,202	81,466
Trade receivables — goods and services	4,418	2,108
	<u>73,620</u>	<u>83,574</u>

Lease income from lottery terminals and systems is billed on a monthly basis and is due 15 to 30 days after month-end. Revenue from sales of goods is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Revenue from provision of technical and maintenance services is billed on a half-yearly or yearly basis and is due 30 days after the invoice date. The ageing analysis of the accounts receivable at the end of the reporting period, based on invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than three months	9,932	13,542
Over three months but less than one year	249	5,782
Over one year	63,439	64,250
	<u>73,620</u>	<u>83,574</u>

12. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable at the end of the reporting period, based on invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than three months	1,113	174
Over three months but less than one year	942	15
Over one year	863	267
	<u>2,918</u>	<u>456</u>

13. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.025 each (after Share Consolidation)	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2018 and 31 December 2018	16,000,000,000	40,000
Share Consolidation	(14,400,000,000)	–
At 31 December 2019	<u>1,600,000,000</u>	<u>40,000</u>
	Issued and fully paid ordinary shares of HK\$0.025 each (after Share Consolidation)	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2018	8,555,307,333	21,388
Share options exercised	170,000,000	425
Placing of new shares	1,034,500,000	2,586
At 31 December 2018	9,759,807,333	24,399
Share options exercised	170,000,000	425
Share Consolidation	(8,936,826,600)	–
Share options exercised	36,500,000	913
At 31 December 2019	<u>1,029,480,733</u>	<u>25,737</u>

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Since the financial information contained in the announcement of 2019 Unaudited Annual Results was neither audited nor agreed with the auditor of the Company as at the date of its publication and subsequent adjustments have been made to such information, therefore shareholders and potential investors of the Company are advised to pay attention to certain difference between the financial information of the unaudited and audited results of the Group.

The main details for the significant differences in the financial information area set out below:

Consolidated Statement of Profit or Loss

	<i>Notes</i>	For the year ended 31 December 2019		
		Audited Results <i>HK\$'000</i>	Unaudited Results <i>HK\$'000</i>	Difference <i>HK\$'000</i>
Revenue		154,354	155,379	(1,025)
Cost of sales and services — Others		(59,406)	(60,151)	745
Gross profit		61,492	61,772	(280)
Other income	(d)	57,459	6,215	51,244
Other gains — net		6,068	7,906	(1,838)
Net impairment losses on financial assets		(406,496)	(397,855)	(8,641)
General and administrative expenses	(d)	(203,038)	(155,345)	(47,693)
Operating loss		(489,580)	(482,372)	(7,208)
Finance costs		(53,922)	(36,790)	(17,132)
Share of losses of associates		(663)	(64)	(599)
Loss before income tax		(546,345)	(521,406)	(24,939)
Income tax expense		(3,755)	(7,429)	3,674
Loss for the year		(550,100)	(528,835)	(21,265)
Loss attributable to the to:				
Owners of the Company		(518,793)	(498,425)	(20,368)
Non-controlling interests		(31,307)	(30,410)	(897)

Consolidated Statement of Financial Position

		For the year ended 31 December 2019			
		Audited	Unaudited	Difference	
		Results	Results		
Notes		HK\$'000	HK\$'000	HK\$'000	
Non-current assets					
	Property, plant and equipment	(a)	130,170	272,179	(142,009)
	Right-of-use assets	(a)	180,614	38,328	142,286
	Intangible assets		445,751	465,331	(19,580)
	Interests in associates	(b)	2,847	43,450	(40,603)
Current assets					
	Inventories		13,660	13,937	(277)
	Accounts receivable		73,620	74,993	(1,373)
	Prepayments, deposits and other receivables		159,533	188,066	(28,533)
Current liabilities					
	Accounts payable		2,918	6,139	(3,221)
	Accruals and other payables		41,384	71,882	(30,498)
	Bank borrowings		245,500	246,144	(644)
	Lease liabilities		9,169	7,418	1,751
	Convertible bonds	(c)	147,400	180,011	(32,611)
Non-current liabilities					
	Deferred income tax liabilities		38,233	41,907	(3,674)
	Lease liabilities		31,511	31,441	70
Equity attributable to owners of the Company					
	Reserves		1,389,169	1,388,159	1,010
Non-controlling interests					
			295,934	296,650	(716)

These differences are mainly due to:

- (a) the reclassification of leasehold land held for own use from property, plant and equipment to right-of-use assets.
- (b) full provision for impairment loss of investment in an associate.
- (c) using a revised discount rate at the effective date of the modification.
- (d) the reallocation of other income from administrative expenses.

EXTRACT OF INDEPENDENT AUDITORS' REPORT FROM THE ANNUAL REPORT

The following is an extract of independent auditors' report issued by the Company's external auditor:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$550,100,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$168,122,000. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$154.4 million (2018: HK\$183.9 million) for the year ended 31 December 2019, representing a decrease of approximately 16% over 2018. Loss attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK\$518.8 million (2018: HK\$169.5 million), and is mainly due to net impairment losses on financial assets of approximately HK\$406.5 million (2018: HK\$66 million) and staff costs (excluding employee share option benefits) of approximately HK\$97.5 million (2018: HK\$117.8 million).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had net current liabilities of approximately HK\$168.1 million (2018: net current assets of HK\$330.1 million). The management of the Group considers the liquidity position of the Group is sufficient to operate as a going concern in the foreseeable future as the Group maintains a healthy financial position as of 31 December 2019 with cash and cash equivalents and net assets value of approximately HK\$64.7 million and HK\$531.5 million respectively. The management of the Group has given consideration to the following steps taken which expected to strengthen the Group's financial position:

- (1) The Group has been actively negotiating with banks to secure the renewals of the banking facilities granted to the Group;

- (2) The Group has been negotiating with the investors for the extension of convertible bonds and considering further financing when necessary including but not limited to equity financing to improve the liquidity of the Group;
- (3) The Group has taken measures to tighten its cost control over general and administrative expenses; and
- (4) The Group is awaiting the outcome of the final judgement of a civil action against CLO claiming the compensation from CLO for the continued use of terminals after the expiry of the supply contract with DGTY. The first judgement delivered by the 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 with relevant interest.

The Group believes that it has adequate financial resources to fund its capital and operating requirements. As at 31 December 2019, the Company had an outstanding corporate guarantee limited to approximately HK\$240 million (2018: HK\$240 million) for a banking facility of an uncommitted revolving loan of approximately HK\$240 million (2018: HK\$240 million); and an outstanding corporate guarantee limited to approximately HK\$23 million (2018: HK\$23 million) for a banking facility of a short term secured loan of approximately HK\$23 million (2018: HK\$23 million).

The Group had outstanding bank borrowings as at 31 December 2019 of approximately HK\$245.5 million (2018: HK\$262.3 million). As at 31 December 2019, the bank borrowings and banking facilities of the Group were secured by (i) owned properties and related leasehold land of the Group with a carrying amount of approximately HK\$151.6 million (2018: HK\$155.6 million); and (ii) a personal guarantee executed by a director of the Company (2018: a personal guarantee executed by a director of the Company).

By an ordinary resolution passed at the Company's annual general meeting on 13 June 2019, every ten (10) issued and unissued ordinary shares of HK\$0.0025 each in the share capital of the Company has been consolidated into one (1) ordinary share of HK\$0.025 each in the share capital of the Company (the "Share Consolidation") with effective on 14 June 2019. Following the Share Consolidation, the authorised share capital of the Company are HK\$40 million divided into 1,600,000,000 shares of the Company with par value of HK\$0.025 each. The board lot size has also been changed from 20,000 to 10,000 shares of the Company upon the effective of the Share Consolidation. Details of the Share Consolidation are set out in the Company's announcements dated 18 April 2019 and 13 June 2019 and the Company's circular dated 30 April 2019.

At 1 January 2019, the outstanding convertible bonds of the Company were 7.5% convertible bonds due 2019 in the aggregate principal amount of HK\$174.8 million (the “New Option 1 Bonds”). The New Option 1 Bonds shall be convertible into the shares of the Company at conversion price of HK\$0.23 each. On 28 March 2019, the Company and the holders of New Option 1 Bonds entered into the supplemental trust deed to extend the maturity date from 7 April 2019 to 7 November 2019 and amend the conversion price from HK\$0.23 to HK\$0.20 with effect from 29 March 2019. Pursuant to the supplemental trust deed, the interest for the extended period from 7 April 2019 to 7 November 2019 will be charged at 8.5% per annum and payable in arrear on 7 November 2019. With effect from 14 June 2019, due to the Share Consolidation, the conversion price of the New Option 1 Bonds had been adjusted from HK\$0.20 to HK\$2 per shares of the Company. On 4 November 2019, the Company and the holders of New Option 1 Bonds entered into the second supplemental trust deed to further extend the maturity date from 7 November 2019 to 7 November 2020. Repayments will be in two instalments: (i) 50% of the principal amount outstanding on 7 May 2020 and (ii) remaining of the principal amount outstanding on the maturity date on 7 November 2020. On 28 April 2020, the Company and the holders of New Option 1 Bonds entered into the third supplemental trust deed to further extend the maturity date from 7 November 2020 to 7 November 2021. Repayments will be in three instalments: (i) 15% of the principal amount outstanding on 7 November 2020; (ii) 15% of the principal amount outstanding on 7 May 2021; and (iii) remaining of the principal amount outstanding on the maturity date on 7 November 2021.

During the year under review, no New Option 1 Bonds had been converted into the shares of the Company by the bondholders. At 31 December 2019, the total outstanding principal amount of the New Option 1 Bonds was HK\$174.8 million. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding New Option 1 Bonds was 87,400,000 shares of the Company.

The Group’s total equity amounted to approximately HK\$531.5 million at 31 December 2019 (2018: HK\$1,072.2 million). At 31 December 2019, net current liabilities of the Group amounted to approximately HK\$168.1 million (2018: net current assets of HK\$330.1 million), including approximately HK\$64.7 million in cash and deposits with banks and financial institutions (2018: HK\$146 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2019 was approximately 50.8% (2018: 33.9%).

EXPOSURE TO EXCHANGE RATES FLUCTUATIONS

All the Group’s assets, liabilities and transactions are denominated either in Hong Kong dollar, United States dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's owned properties and related leasehold land at net book value of approximately HK\$151.6 million (2018: HK\$155.6 million) were pledged to banks to secure the bank borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: Nil).

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The audited annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

EVENT AFTER REPORTING PERIOD

At 18 June 2020, Wide Perfect Limited, an indirect wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase to sell a property for a consideration of HK\$44,380,000. A formal agreement for sale and purchase of that property will be entered into on or before 3 July 2020 and its completion is scheduled to take place on or before 18 August 2020.

Save as disclosed in this announcement, all other information contained in the announcement of 2019 Unaudited Annual Results remain substantially unchanged.

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

Hong Kong, 29 June 2020

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.