

## IRREVOCABLE UNDERTAKING

**THIS DEED** is made on 29 January 2021

### BY

**LAU TING** (holder of Hong Kong identity card number K808252(9)) of House 9, 12 Shouson Hill Road, Shouson Hill, Southern District, Hong Kong ("**Ms. Lau**");

### IN FAVOUR OF

**CHINA LOTSYNERGY HOLDINGS LIMITED**, a company incorporated in Bermuda with limited liability whose registered address is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and whose principal place of business in Hong Kong is at Unit 3308, 33rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (the "**Company**"), the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1371).

Ms. Lau and the Company are referred to individually as a "**Party**" and collectively as the "**Parties**".

### WHEREAS:

- A Pursuant to a resolution of the board of directors of the Company passed on 29 January 2021, the Company intends to offer new Shares for subscription by the Shareholders by way of the Open Offer on the basis of two Open Offer Shares for every Share held by the Shareholders on the Record Date for subscription at a price of HK\$0.1 per Open Offer Share payable in full upon application, and otherwise on the terms and subject to the conditions of the Open Offer set out in the Prospectus Documents.
- B As at the date of this Deed, the total number of existing Shares is 1,029,480,733, and:
- a. assuming no change of total number of issued Shares from the date of this Deed to the Record Date, a total of 2,058,961,466 Open Offer Shares will be available for subscription by the Shareholders under the Open Offer;
  - b. assuming no change of total number of issued Shares from the date of this Deed to the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds, a total of 2,207,541,466 Open Offer Shares will be available for subscription by the Shareholders under the Open Offer.
- C The offer of the Open Offer Shares for subscription as aforesaid will be made by the issue of the Prospectus Documents to the Qualifying Shareholders.

### NOW THIS DEED WITNESSES as follows:

1. Unless otherwise defined, all capitalised terms used in this Deed shall have the same meanings as those defined in the announcement (the "**Announcement**") in relation to, among others, the Open Offer, the latest draft of which is annexed to this Deed as Annexure 1
2. The Announcement.
3. Ms. Lau hereby irrevocably and unconditionally represents, warrants and undertakes to and with the Company that:
  - (a) as at the date of this Deed, she owns beneficially and will on the Record Date own beneficially 91,509,437 Shares (collectively being the "**Relevant Shares**" and each a "**Relevant Share**");

- (b) she shall not, and shall procure that her nominees (including the CCASS participant(s) holding any Relevant Shares on her behalf) shall not, within the period commencing on the date of this Deed and ending on the Open Offer Settlement Date transfer or otherwise dispose of or create any rights in respect of any of the Relevant Shares or dispose of, directly or indirectly, any interest in any company which is beneficially interested in any Relevant Shares;
- (c) she shall not and procure her nominees will not acquire any further Shares on or before the Record Date;
- (d) 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 having been revoked or withdrawn, she shall apply and pay for or shall procure that there are applied and paid for by her nominees (including the CCASS participant(s) holding any Relevant Shares on her behalf), at or before the Latest Time for Application in accordance with the terms of the Prospectus Documents, 183,018,874 Shares, being all the Open Offer Shares which will be under her respective assured entitlement (the "**Entitlement Shares**"), in respect of the Relevant Shares beneficially owned by her pursuant to the Open Offer; and
- (e) she will waive any rights, if any and whether by virtue of the constitutional documents of the Company, operation of applicable laws, regulations, rules of the Stock Exchange, contractual arrangements or otherwise, to withdraw her application in respect of the Entitlement Shares.

4. In the event that Ms. Lau shall fail to comply with the undertakings given in paragraph 3(d), that Ms. Lau hereby irrevocably authorises the Company:

- (a) to apply as agent for Ms. Lau for the Entitlement Shares of Ms. Lau or her nominees (including the CCASS participant(s) holding any Relevant Shares on her behalf and/or HKSCC Nominees Limited for the account of such CCASS participant(s)) (the "**Relevant Person**");
- (b) to allot and procure the issue of the Open Offer Shares falling to be issued pursuant to the applications under paragraph 4(a) to any Relevant Person and to procure the registration of the same in the name of any Relevant Person; and
- (c) to on her behalf and in her name give all such instructions to the CCASS participant(s) holding any Relevant Shares and/or HKSCC Nominees Limited, and do all such other acts and execute all such other documents as may be required, to ensure performance of her obligations under paragraph 3(d),

and Ms. Lau hereby irrevocably undertakes that she shall forthwith make payment in full to the Company for the said Open Offer Shares and interest shall accrue on any amount unpaid by her pursuant to this paragraph on a daily basis at the rate of two per cent above the prime lending rate from time to time of the Hongkong and Shanghai Banking Corporation Limited, from and including the Open Offer Settlement Date to and excluding the date on which the entire amount of payment is received by the Company.

5. Ms. Lau hereby further irrevocably and unconditionally undertakes to and with the Company that:

- (a) she shall promptly (and in any event prior to the Posting Date) apply to the Executive for the Whitewash Waiver;
- (b) 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 having been revoked or withdrawn, she shall, subject to paragraph

5(c), apply and pay for or shall procure that there are applied and paid for by her nominees (including the CCASS participant(s) holding any Relevant Shares on her behalf), at or before the Latest Time for Application in accordance with the terms of the Prospectus Documents, the excess Open Offer Shares (the “**Relevant Excess Shares**”), which comprise:

- (i) such Open Offer Shares which are not subscribed for by other Qualifying Shareholders under their respective assured entitlements in respect of the Shares beneficially owned by them; and
  - (ii) the Non-Qualifying Shareholders’ Open Offer Shares pursuant to the Open Offer;
- (c) for the purpose of paragraph 5(b):
- (i) the maximum number of Relevant Excess Shares to be applied and paid for shall represent the difference between (1) the total number of Open Offer Shares and (2) all Entitlement Shares, and:
    - (A) assuming no change of the total number of issued Shares from the date of this Deed to the Record Date, such maximum number shall be 1,875,942,592;
    - (B) assuming no change of total number of issued Shares from the date of this Deed to the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date, such maximum number shall be 2,024,522,592; and
  - (ii) the minimum number of the Relevant Excess Shares to be applied and paid for shall be 616,981,126 Open Offer Shares;
- (d) she will waive any rights, if any and whether by virtue of the constitutional documents of the Company, operation of applicable laws, regulations, rules of the Stock Exchange, contractual arrangements or otherwise, to withdraw her application in respect of the Relevant Excess Shares; and
- (e) simultaneous to or immediately after the execution of this Deed, she will execute a deed of set-off to be made among Ms. Lau, the Company, China LotSynergy Limited (the “**Borrower**”) in the form or substantially the form set out in Annexure 2 in respect of the set-off of the payment of the subscription price by Ms. Lau of all Entitlement Shares in respect of the Relevant Shares and the Relevant Excess Shares which Ms. Lau shall apply for against the equivalent amount of the Shareholder’s Loan owed by the Borrower to Ms. Lau.
6. Ms. Lau hereby irrevocably and unconditionally undertakes to and with the Company that from the period from the date of this Deed until the first day of trading of the Open Offer Shares on the Stock Exchange, she shall not take any action or make any statement to the public which is or may be prejudicial to the successful completion of the Open Offer, unless otherwise required or caused by any law or regulation, the Stock Exchange, the SFC or any other regulatory, judicial, governmental or other authorities or court having jurisdiction over her or any order, judgment or decree of any such regulatory, judicial, governmental or other authorities or court (the “**Applicable Laws and/or Regulators**”), in each case subject to prior consent from the Company unless prohibited by any Applicable Laws and/or Regulators.
7. Ms. Lau hereby represents and warrants to the Company that:
- (a) she has full power and authority to enter into this Deed and perform the undertakings, agreements, warranties and consents given by her under this Deed, and those undertakings,

agreements, warranties and consents constitute our legal, valid and binding obligations which are enforceable in accordance with the terms of this Deed;

- (b) the Relevant Shares are free of (i) any mortgage, charge, pledge, lien or other security interest; (ii) any option, restriction, right of first refusal, right of pre-emption; or (iii) any other third party claim, right, interest or preference or any other encumbrance of any kind;
  - (c) the take-up of the Entitlement Shares, the execution of the related EAF(s) by her and the execution and delivery of this Deed by her will not result in any breach of: (a) any applicable law or regulation or of any order, judgment or decree of any court or governmental or regulatory body by which she is bound.
8. Ms. Lau hereby represents and warrants to the Company that the statements made about her in the Announcement are true and accurate in all material respects and hereby consents to the issue of the Announcement incorporating references to her in the context as set out in the Announcement. Ms. Lau hereby further consents to the issue of the Prospectus Documents, the Circular and any necessary announcements or corporate communications of the Company incorporating references to her as the owner of the Relevant Shares and to the provision of this Deed and further agrees to promptly supply to the Company all information relating to her which is required to be contained in any document relating to the Open Offer by relevant regulatory authorities.
  9. Ms. Lau hereby agrees and consents to, in the event that there is any change to the expected timetable of the Open Offer as set out in the Announcement, any such changes as may be announced by the Company (including but not limited to the Latest Time for Application).
  10. This Deed shall be terminated upon the termination of the Open Offer or, if earlier, the date of announcement by the Company on the website of the Stock Exchange that the Open Offer is terminated or will not proceed, if applicable.
  11. This Deed may be entered into on separate counterparts, each of which when so executed and delivered shall be an original but all the counterparts shall together constitute one and the same instrument and shall take effect from the time of execution of the last counterpart.
  12. A person who is not a Party shall not have any rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce, or to enjoy the benefit of, any term of this Deed.
  13. This Deed is governed by and shall be construed in accordance with the laws of Hong Kong and all the Parties hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts for the purpose of enforcing any claim arising hereunder but this Deed may be enforced in any court of competent jurisdiction.

**Annexure 1**

**The Announcement**

*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.*

14.58(1)  
Note 5 to R13.52

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.*

14.60(4)(a)

*[Distribution of this announcement into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this announcement should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.]*

*This announcement is not an invitation or offer of securities for sale in the United States. Neither this announcement nor any copy thereof may be released, published or distributed in or into the United States or any other jurisdiction where such release might be unlawful or to any U.S. persons. The securities have not been and will not be registered under the U.S. Securities Act or the laws of any state or jurisdiction of the United States and may not be offered or sold, pledged or transferred in the United States absent registration or an exemption from registration. There will be no public offering of securities in the United States.] **[Note: To be updated depending on whether the Company has Overseas Shareholders in the U.S.]***

**[Company logo]**

(Stock code: 1371)

(Incorporated in Bermuda with limited liability)

13.51A  
13.28(1)

- (I) PROPOSED OPEN OFFER ON THE BASIS OF  
TWO (2) OPEN OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;  
(II) CONNECTED TRANSACTION IN RELATION TO THE SET-OFF;  
(III) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR  
SPECIAL DEAL;  
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
AND  
(V) RESUMPTION OF TRADING**

7.19(3)

**[Financial adviser to the Company]**

**[\*]**

**[Placing Agent]**

**[\*]**

**[Independent Financial Adviser to the Independent Board Committee and the  
Independent Shareholders]**

**[\*]**

**[Summary to be inserted after finalising the body]**

## **PROPOSED OPEN OFFER**

The Board proposes to offer Open Offer Shares for subscription by Shareholders at a price of HK\$[0.10] per Open Offer Share by way of the Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date. Set out below are the details of the Open Offer statistics.

### **Open Offer Statistics**

Basis of the Open Offer	: Two (2) Open Offer Shares for every one (1) existing Share held by the Shareholders at [5:00] p.m. on the Record Date	TC3.5(a) A1B18(2) 13.28(4)
Open Offer Price	: HK\$[0.10] per Open Offer Share	
Number of Shares in issue as at the date of this announcement	: [1,029,480,733] Shares	
Minimum number of Open Offer Shares	: [800,000,000] Open Offer Shares (assuming (i) no change in the total number of issued Shares from the date of this announcement up to and including the Record Date (ii) only Ms. Lau takes up the Entitlement Shares and applies for the excess Open Offer Shares under the Irrevocable Undertaking)	13.28(2)
Maximum number of Open Offer Shares	: [2,207,541,466] Open Offer Shares (assuming (i) the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date; and (ii) all Qualifying Shareholders take up their assured entitlements under the Open Offer)	
Latest Time for Application	: [4:00] p.m. on [Friday, 23 April] 2021	A1B18(2)
Net proceeds from the Open Offer	: Up to HK\$[*] 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 Open Offer Price

The Open Offer Price of HK\$[0.10] per Open Offer Share, payable in full by a Qualifying Shareholder upon application for the assured allotment of Open Offer Shares under the Open Offer, represents: 13.28(4)

- (i) a discount of approximately [%] to the closing price of HK\$[\*] per Share as quoted on the Stock Exchange on [\*], being the date on which the Open Offer Price is fixed; 13.28(8)
- (ii) a discount of approximately [%] to the closing price of HK\$[\*] per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately [%] 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\$[\*];
- (iv) [a discount of approximately [%] 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\$[\*];
- (v) a discount of approximately [%] 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\$[\*];]
- (vi) a discount of approximately [%] to the theoretical ex-entitlement price of approximately HK\$[\*] per Share based on the closing price of HK\$[\*] per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately [%] represented by the theoretical diluted price of approximately HK\$[\*] 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\$[\*] 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 of this announcement / the date of the Placing Agreement / the date on which the Offer Price is fixed] **[Note: the earliest date of the three.]** of HK\$[\*] per Share); and
- (viii) 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 and [1,029,480,733] Shares in issue as at the date of this announcement.



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

The aggregate par value of the Open Offer Shares will, depending on the level of subscription of the Open Offer Shares, be range from HK\$[20,000,000] to HK\$[55,188,536.65]. 13.28(2)

In order to facilitate the issue of the Open Offer Shares under the Open Offer, 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 terms of the Open Offer, including the Open Offer Price, were determined by the Board with reference to (i) the prevailing market conditions; (ii) the prevailing market prices of the Shares; and (iii) the funding and liquidity requirements of the Group as detailed in the section headed “Reasons for the Open Offer and the Use of proceeds” in this announcement. 13.28(4)

The Open Offer Shares will be offered to all Qualifying Shareholders and each Qualifying Shareholder will be entitled to apply for the Open Offer Shares at the same price in proportion to his/her/its shareholding in the Company at [5:00] p.m. on the Record Date. 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 the Independent Financial Adviser) consider that the terms of the Open Offer, including the Open Offer Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

TC3.5(e)  
13.28(14)

[The Open Offer 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 the Independent Shareholders of all necessary resolutions to be proposed at SGM for the transactions contemplated under the Open Offer 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 Open Offer;
  - (b) the Set-Off;
  - (c) the Whitewash Waiver; and
  - (d) the Special Deal;
- (iii) the passing by the Shareholders of all necessary resolutions to be proposed at

SGM for the Increase of Authorised Share Capital;

- (iv) the consent of the Executive in relation to the Set-Off as a special deal under Rule 25 of the Takeovers Code having been obtained and not revoked or withdrawn;
- (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 Open Offer Shares (subject to customary conditions) and such approval not having withdrawn or revoked;
- (viii) the compliance by Ms. Lau with their respective obligations under the Irrevocable Undertaking prior to the Latest Time for Application and the Irrevocable Undertaking remaining in full force and effect;
- (ix) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda; and
- (x) [the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect].

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 Open Offer Settlement Date (as the case may be), the Open Offer will not proceed.

Under the Takeovers Code, the resolution(s) relating to the Whitewash Waiver shall be approved by at least 75% of the votes that are cast either in person or by proxy by the Independent Shareholders at the SGM.

The Company shall use all reasonable endeavours to procure the fulfilment of each of the conditions set out above on or before the relevant time or date specified and, in particular, shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary for the aforesaid purpose.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Open Offer, the Open Offer will proceed on a non-underwritten basis irrespective of the level of subscriptions of the Open Offer Shares. In the event there is an undersubscription of the Open Offer, the size of the Open Offer will be reduced accordingly.

7.19(3)

### **Basis of assured allotment**

Under the Open Offer, the basis of the assured allotment shall be two (2) Open Offer Shares for every one (1) existing Share held by the Qualifying Shareholders at [5:00] p.m. on the Record Date. A1B18(2)

### **Fractional assured allotment of the Open Offer Shares**

On the basis of allotment of two (2) Open Offer Shares for every one (1) Share held on the Record Date, no fractional entitlements to the Open Offer Shares will arise under the Open Offer. No odd lot matching services will be provided by the Company in respect of the Open Offer Shares. A1B18(2)

### **Status of the Open Offer Shares**

The Open Offer 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 Open Offer Shares. A1B18(2)

### **Qualifying Shareholders and Non-Qualifying Shareholders**

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder. 13.28(7)

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 [Monday, 29 March] 2021. The Company expects to send the Prospectus Documents to Qualifying Shareholders on or before [Friday, 9 April] 2021. A1B18(2)

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 Application Forms or EAFs to them. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Open Offer. **[Note: The Company will consult relevant overseas counsel.]**

Application for all or any part of a Qualifying Shareholder's assured allotment of Open Offer Shares should be made by completing the Application Form and lodging the same with a remittance for the Open Offer Shares being applied for with the Registrar at or before the Latest Time for Application (i.e. 4:00 p.m. on [Friday, 23 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 Open Offer as explained below. [The Board will make enquiries regarding the feasibility of extending the Open Offer 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 Open Offer 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 Open Offer Shares will not be made available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.]

**[Overseas Shareholders should note that they may or may not be entitled to participate in the Open Offer, 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 Open Offer 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.]**

## **Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements**

### **Application for excess Open Offer Shares**

Qualifying Shareholders shall be entitled to, by way of excess application, apply for the excess Open Offer Shares, which comprise (i) any Open Offer Shares which are not subscribed for by other Qualifying Shareholders under their respective assured entitlements in respect of the Shares beneficially owned by them; and (ii) the Non-Qualifying Shareholders' Open Offer Shares. 7.26(1)(a)

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

The Directors will allocate any Open Offer Shares at their discretion on a fair and equitable basis based on the following principles: 7.26(3)(a)

- (i) no preference will be given to topping-up odd lot holdings to whole board lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Open Offer Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of the excess Open Offer Shares, the excess Open Offer Shares will be allocated to the Qualifying Shareholders who have applied for the excess Open Offer Shares on a pro-rata basis with reference to the number

of excess Open Offer Shares applied for by them.

If the aggregate number of Open Offer Shares available for excess application is greater than the aggregate number of excess Open Offer 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 Open Offer 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 [Monday, 29 March] 2021. If so, they must lodge all necessary documents with the share registrar and transfer office of the Company, being 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 [Monday, 29 March] 2021. The register of members of the Company will be closed from [Tuesday, 30 March] 2021 to [Thursday, 8 April] 2021 (both days inclusive).

Pursuant to Rule 7.26A(3)(b) of the Listing Rules, the Company will take steps to identify the applications for excess Open Offer Shares made by any controlling Shareholders or its associates, whether in their own names or through nominees. The Company shall disregard the applications of such Shareholders for excess Open Offer Shares to the extent that the total number of Open Offer Shares they have applied for exceeds a maximum number equivalent to the total number of Open Offer Shares offered under the Open Offer minus the number of Open Offer Shares taken up by the Relevant Shareholders under their assured entitlement to the Open Offer Shares.

Please refer to the section headed "THE IRREVOCABLE UNDERTAKING" of this announcement for details regarding the undertaking given by Ms. Lau in favour of the Company in respect of application for excess Open Offer Shares.

Any excess Open Offer Shares which are not validly applied for by the Qualifying Shareholders will be placed to independent places by the Placing Agent pursuant to the terms and conditions of the Placing Agreement.

**Placing Agreement**

7.26(1)(b)  
13.28(10)

The principal terms of the Placing Agreement are summarised below:

**[Note: subject to final Placing Agreement]**

- Placing Agent : [Cornerstone Securities Limited]
- 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 Price : HK\$[0.10] per Placing Share
- Placing Period : The Placing Period shall commence on [Wednesday, 28 April] 2021, and end on the Placing End Date (i.e. [Thursday, 29 April] 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 Unsubscribed Arrangements.
- Placees : The Placing Shares are expected to be placed to investors who (or their ultimate beneficial owner(s), as the case may be) are not Shareholders and are otherwise Independent Third Parties.

For the avoidance of doubt, no placee shall become a substantial Shareholder and any party acting in concert with the Ms. Lau.

The Placing Agent shall, on a best effort basis, seek to procure subscribers who (or their ultimate beneficial owner(s), as the case may be) are not Shareholders and are otherwise Independent Third Parties for the Placing Shares during the Placing Period.

[The Placing Agent confirms that each of itself and its ultimate beneficial owner(s) are Independent Third Parties. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.]

[The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.]

**Share certificates for the Open Offer Shares**

A1B18(2)

Subject to fulfilment of the conditions, and the proceeding, of the Open Offer, share certificates for the fully-paid Open Offer Shares are expected to be posted by [Monday, 3 May] 2021 to those entitled to them by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be despatched on or before

[Monday, 3 May] 2021 by ordinary post at the respective Shareholders' own risk.

**Application for listing and dealing arrangements of the Open Offer Shares**

14.60(4)(b)

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange.

Dealings in the Open Offer Shares will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

**Open Offer Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares 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 Open Offer Shares 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**

A1B18(3)  
7.19(4)

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 Open Offer. Pursuant to the Irrevocable Undertaking, Ms. Lau has irrevocably undertaken to the Company, among other things, that (i) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver has been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall apply and pay for, or procure the application and payment for, all the Entitlement Shares; (ii) that she shall remain to be the beneficial owner of [91,509,437] Shares on the Record Date; and (iii) that she shall not, and procure her nominees not to acquire any further Shares on or before the Record Date.

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

- (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 has 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 Application, apply and pay for or procure the application and payment for, no less than [616,981,126] excess Open Offer Shares and no more than such number of excess Open Offer Shares representing the difference between (1) the total number of Open Offer Shares and (2) all Entitlement Shares.

Assuming no change of the total number of issued Shares from the date of this announcement to the Record Date, the maximum number of excess Open Offer Shares which Ms. Lau may apply for shall be [1,875,942,592].

Assuming no change of total number of issued Shares from the date of this announcement to 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 Open Offer Shares which Ms. Lau may apply for shall be [2,024,522,592].

Save for Ms. Lau, there is no Shareholder who has undertaken to take up his/her/its assured entitlement in full or in part in connection with the Open Offer. 7.19(3)

## **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 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. 14.58(6)

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 Open Offer Completion Date on a dollar-to-dollar basis against an equivalent amount of the 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 Open Offer becoming unconditional pursuant to the terms and conditions as set out in the Prospectus. 14.58(3)  
14.58(4)  
14.58(5)  
14.60(1)  
14.60(2)

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 Open Offer 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 Open Offer 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 of the total number of issued Shares from the date of this announcement up to and including the Open Offer Completion:

- (i) in the event that Ms. Lau validly applies for and is allocated all Entitlement Shares and [316,981,126] excess Open Offer 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 assured entitlement under the Open Offer, the Set-Off Amount will be at the minimum of HK\$[18,301,887.4].

#### **Information on the Group and Ms. Lau**

14.58(2),  
14A.68(1A),  
14A.68(2)

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**

14.58(8)

[The Directors (excluding Ms. Chan and members of the Independent Board Committee whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) 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 that 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 the Open Offer is subject to the fulfillment and/or waiver (as applicable) of certain conditions, including but not limited to the approval of the Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal by the Independent Shareholders at the SGM. If any of the conditions are not fulfilled and/or waived (as the case may be), the Open Offer 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 Open Offer is subject are fulfilled and/or waived (as applicable), which is expected to be [4:00 p.m.] on the Open Offer Settlement Date, will accordingly bear the risk that the Open Offer may not proceed.

## **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

7.24A  
13.28(6)

As disclosed in the section headed “Information of 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 interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), for the said period, 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\$22.3 million and a decrease of approximately HK\$15.1 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\$211.5 million. 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\$[22.6] million will be due in May 2021; and (iii) [a bank loan] with a total outstanding amount of HK\$[212.0] million which the Company is required to make quarterly repayments of the principal amount of approximately HK\$[3.5] million.

However, as at [30 June 2020], the Company had cash and bank balances of only HK\$[53.91] million, which was insufficient for meeting its imminent cash flow demand in view of aforementioned liabilities.

In light of the above, the Company intends to raise funds by way of the Open Offer. Assuming a maximum of [2,207,541,466] Open Offer Shares and a minimum of [800,000,000] Offer Shares will be issued, the estimated gross proceeds of the Open Offer will range from approximately a maximum of HK\$[220.7] million to a minimum of HK\$[80.0] million. The estimated expenses in relation to the Open Offer will amount to approximately HK\$[\*] million and the estimated net proceeds of the Open Offer will range from a maximum of approximately HK\$[\*] million to a minimum of approximately HK\$[\*] million (assuming 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 takes up her Entitlement Shares and applies for the excess Open Offer Shares under the Irrevocable Undertaking). The net subscription price per Offer Share is expected to be a maximum of HK\$[\*] and a minimum of approximately HK\$[\*].

13.28(3)  
13.28(5)

In the event that a maximum net proceeds of HK\$[\*] million is raised, (i) approximately [41]% towards the partial repayment of the New Option 1 Bonds;

13.28(3)

approximately [13]% towards the repayment of the existing bank borrowing (including interest); (iii) approximately [21]% towards the Set-Off; and (iv) approximately [25]% towards the general working capital of the Group.

The Company has considered alternative fundraising means. As regards debt financing, the Company had approached some financial institutions to refinance its current liabilities but had found it challenging to obtain financing from such institutions under current financial market conditions in Hong Kong on terms that are commercially acceptable to the Company. As regards equity financing, the Company had considered (i) placement of new Shares or an issue of convertible bonds; and (ii) conducting a rights issue. The Board considers a rights issue that enables all Qualifying Shareholders to invest in the future growth of the Company to be preferable to a placing of new shares or convertible bonds which would only be limited to a number of investors. The Board is of the view that while a right issue offers flexibility to the Shareholders to sell their entitled nil-paid rights if they do not wish to take up the entitlements, as compared to the Open Offer, conducting a right issue would take a longer time and cause the Company to incur higher transaction costs in respect of the nil-paid rights, including but not limited to the additional cost associated with printing, posting, processing of the provisional allotment letters and the extra trading arrangements as well as to administering the trading of the nil-paid right.

The Open Offer 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 Open Offer. Since the Open Offer provides a fair and equal opportunity to the Shareholders to maintain their shareholding interest in the Company, the Open Offer is therefore more cost effective, efficient and beneficial to the Company and the Shareholders, even without allowing the Shareholders to trade their nil-paid rights as in a rights issue.

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 the Shareholder's Loan, and taking into account the benefits and cost of the alternative fund raising 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 the Independent Financial Adviser) consider that the Open Offer is an appropriate method to raise the necessary funding for the Company's business operation and development and that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole .

**EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT**

7.19(3)  
13.28(9)

Save for 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 fund raising activities in the 12 months immediately preceding the date of this announcement.

**EXPECTED TIMETABLE FOR THE OPEN OFFER**

The expected timetable for the proposed Open Offer is set out below:

Despatch date of the Circular, proxy form and notice of the SGM	[Wednesday, 3 March] 2021
Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on [Wednesday, 17 March] 2021
Closure of register of members of the Company to determine entitlement to attend and vote at the SGM	[Thursday, 18 March] 2021 to [Wednesday, 24 March] 2021 (both days inclusive)
Latest time for lodging proxy forms for the SGM	[11:00 a.m.] on [Monday, 22 March] 2021
Record date for attending and voting at the SGM	[Wednesday, 24 March] 2021
SGM	[11:00 a.m.] on [Wednesday, 24 March] 2021
Announcement of poll results of the SGM	[Wednesday, 24 March] 2021
Re-opening of the register of members of the Company	[Thursday, 25 March] 2021
Last day of dealings in the Shares on a cumulative entitlement basis	[Thursday, 25 March] 2021
First day of dealings in the Shares on an entitlement basis	[Friday, 26 March] 2021
Latest time for lodging transfers of the Shares in order for the transferees to qualify for the Open Offer	4:30 p.m. on [Monday, 29 March] 2021
Closure of register of members to determine the entitlements to the Open Offer	[Tuesday, 30 March] 2021 to [Thursday, 8 April] 2021 (both days inclusive)
Record Date for the Open Offer	[Thursday, 8 April] 2021
Re-opening of the register of members of the	[Friday, 9 April] 2021

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Company

Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only) [Friday, 9 April] 2021

Latest Time for Application for the Open Offer Shares 4:00 p.m. on [Friday, 23 April] 2021

A1B18(2)

Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangements [Tuesday, 27 April] 2021

Commencement of placing of the Placing Shares by the Placing Agent on a best effort basis [Wednesday, 28 April] 2021

Placing End Date for placing the Placing Shares 4:00 p.m. on [Thursday, 29 April] 2021

Open Offer Settlement Date and the Open Offer becomes unconditional 4:00 p.m. on [Friday, 30 April] 2021

Announcement of the results of the Open Offer (including the results of placing of the Placing Shares) [Friday, 30 April] 2021

Despatch of share certificates for the fully-paid Open Offer Shares [Monday, 3 May] 20 A1B18(2)

Despatch of refund cheques if the Open Offer is terminated [Monday, 3 May] 2021

First day of dealings in the fully-paid Open Offer Shares 9:00 a.m. on [Tuesday, 4 May] 2021

*Notes:*

(1) *Shareholders should note that the dates and deadlines specified in the following 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 Application**

The Latest Time for Application 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 [Friday, 23 April] 2021, being the date on which the Latest Time for Application falls. In this case, the Latest Time for Application 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 [Friday, 23 April] 2021, being the date on which the Latest Time for Application falls. In this case, the Latest Time for Application 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 Application does not take place on [Friday, 23 April] 2021, the dates mentioned in the section headed “Expected Timetable for the Open Offer” 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 OPEN OFFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

TC3.5(c)(i)(ii)

Set out below are the shareholding structure of the Company as at the date of this announcement to immediately after the completion of the Open Offer assuming (i) no change of issued share capital of the Company; and (ii) all holders of New Option 1 Bond exercises in full the conversion rights and [74,290,000] Shares shall be allotted on or before the Record Date:

### **I. Assuming no change in issued share capital of the Company**

Shareholder	As at the date of this announcement		Immediately upon the Open Offer Completion assuming full acceptance by all Qualifying Shareholders under the Open Offer		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer; and (b) all the excess Open Offer Shares were subscribed by Ms. Lau		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer and; (b) no Independent Third Parties took up the Unsubscribed Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau <sup>(Note 1)</sup>	[91,509,437]	[8.89]	[274,528,311]	[8.89]	[2,150,470,903]	[69.63]	[851,509,437]	[28.87]	[851,509,437]	[48.73]
<i>Parties acting in concert with Ms. Lau</i>										
Hang Sing Overseas Limited <sup>(Note 2)</sup>	[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 <sup>(Note 3)</sup>	[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 <sup>(Note 4)</sup>	[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 <sup>(Note 5)</sup>	[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]

*Submission proof (1): 28 January 2021*

Ms. Chan <sup>(Note 6)</sup>	[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]
<b>Sub-total of the Ms. Lau and parties acting in concert with the her</b>	[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</i>										
<i>(Note 7)</i>										
Mr. Wu Jingwei <sup>(Note 8)</sup>	[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 <sup>(Note 8)</sup>	[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 <sup>(Notes 8 and 9)</sup>	[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 <sup>(Note 8)</sup>	[110,000]	[0.01]	[330,000]	[0.01]	[110,000]	[0.00]	[110,000]	[0.00]	[110,000]	[0.01]
Mr. Cui Shuming <sup>(Note 8)</sup>	[200,000]	[0.02]	[600,000]	[0.02]	[200,000]	[0.01]	[200,000]	[0.01]	[200,000]	[0.01]
<b>Sub-total</b>	[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 placees	-	-	-	-	-	-	[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]
<b>Total</b>	[1,029,480,733]	[100]	[3,088,442,199]	[100]	[3,088,442,199]	[100]	[3,088,442,199]	[100]	[1,829,480,733]	[100]

**II. Assuming [the holder of the New Option 1 Bonds] exercises in full the conversion rights and [74,290,000] Shares shall be allotted on or before the Record Date**

Shareholder	As at the date of this announcement		Immediately upon the Open Offer Completion assuming full acceptance by all Qualifying Shareholders under the Open Offer		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer; and (b) all the excess Open Offer Shares were subscribed by Ms. Lau		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements		Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Ms. Lau) under the Open Offer and; (b) no Independent Third Parties took up the Unsubscribed Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau <sup>(Note 1)</sup>	[91,509,437]	[8.89]	[274,528,311]	[8.29]	[2,299,050,903]	[69.43]	[851,509,437]	[26.92]	[851,509,437]	[46.83]
<i>Parties acting in concert with Ms. Lau</i>										
Hang Sing Overseas Limited <sup>(Note 2)</sup>	[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 <sup>(Note 3)</sup>	[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 <sup>(Note 4)</sup>	[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	[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]

**Submission proof (1): 28 January 2021**

(Note 5)

Ms. Chan <sup>(Note 6)</sup>		[1.54]								
	[15,936,000]	]	[47,808,000]	[1.44]	[15,936,000]	[0.48]	[15,936,000]	[0.48]	[15,936,000]	[0.84]
<b>Sub-total of the Ms. Lau and parties acting in concert with the her</b>	[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]	[52.75]
									9]	
<i>Other Directors</i>										
(Note 7)										
Mr. Wu Jingwei <sup>(Note 8)</sup>	[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 <sup>(Note 8)</sup>	[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 <sup>(Notes 8 and 9)</sup>	[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 <sup>(Note 8)</sup>	[110,000]	[0.01]	[330,000]	[0.01]	[110,000]	[0.00]	[110,000]	[0.00]	[110,000]	[0.01]
Mr. Cui Shuming <sup>(Note 8)</sup>	[200,000]	[0.02]	[600,000]	[0.02]	[200,000]	[0.01]	[200,000]	[0.01]	[200,000]	[0.01]
<b>Sub-total</b>	[13,180,000]	[1.28]	[39,540,000]	[1.19]	[13,180,000]	[0.40]	[13,180,000]	[0.40]	[13,180,000]	[0.69]
Independent placees	-	-	-	-	-	-	[1,407,541,466]	[42.51]	-	-
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]	[24.52]	[812,078,554]	[42.66]
<b>Total</b>	[1,029,480,733]	[100]	[3,311,312,199]	[100]	[3,311,312,199]	[100]	[3,311,312,199]	[100]	[1,903,770,733]	[100]

*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 [164,230,768] 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.
- 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.
- 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.
- 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.
- [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 the Subscriber pursuant to class (8) presumption under the definition of “acting in concert” under the Takeovers Code.]
- 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 Open Offer at the SGM.]*
9. *Ms. Zhu Xinxin is a niece of Ms. Lau.*
10. *[Save as disclosed above, Ms. Lau does not have any relationship with any connected persons of the Company as at the date of this announcement.]*

As illustrated above, assuming (i) no change in issued share capital of the Company; (ii) no Qualifying Shareholder (other than Ms. Lau) takes up the Open Offer Shares and excess Open Offer Shares pursuant to the Irrevocable Undertaking; and (iii) no Placing Shares are successfully placed to independent places, 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 Open Offer Completion.

Similarly, assuming (i) no change in 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) takes up the Open Offer Shares and excess Open Offer Shares pursuant to the Irrevocable Undertaking and (iii) no Placing Shares are successfully placed to independent places, 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 Open Offer Completion.

**If a Qualifying Shareholder does not subscribe for his/her/its assured allotment in full under the Open Offer, his/her/its proportionate shareholding in the Company will be diluted.**

## **LISTING RULES IMPLICATIONS**

2.17  
13.28(11)

### **The Open Offer**

In accordance with Rule 7.24A(1) of the Listing Rules, as the Open Offer Shares are not issued pursuant to the general mandate of the Company, the Open Offer must be made conditional on the Independent Shareholders' approval at the SGM, and pursuant to Rule 7.27A(1) of the Listing Rules, 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 Open Offer 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 Open Offer at the SGM.

## **The Set-Off**

LR14A.68(9)

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 Open Offer and Whitewash Waiver**

TC3.5(b)

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 of the total number of issued Shares from the date of this announcement up to and including the Open Offer Completion (other than the allotment and issue of Open Offer Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) have taken up their assured allotment under the Open Offer pursuant to the Irrevocable Undertaking; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess Open Offer Shares, being [1,875,942,592] Open Offer 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 Open Offer Shares upon completion of the Open Offer.

TC3.5(c)(i)  
TC3.5(c)(ii)

Assuming (i) there is no change of the total number of issued Shares from the date of this announcement up to and including the Open Offer 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 Open Offer Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) have taken up their assured allotment under the Open Offer pursuant to the Irrevocable Undertaking; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess Open Offer Shares, being [2,024,522,592] Open Offer 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 Open Offer Shares upon completion of the Open Offer.

TC3.5(c)(i)  
TC3.5(c)(ii)

In such circumstances, the acceptance in full by Ms. Lau of the allotment of Open Offer Shares to her pursuant to the Irrevocable Undertaking and/or the allotment of excess Open Offer Shares to Ms. Lau upon successful excess application when there is an undersubscription of the Open Offer 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 Open Offer 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 Open Offer is not approved by the Independent Shareholders, the Open Offer will not proceed.

As at the date of this announcement:

- (i) save as disclosed in the section headed “Effect of the Open Offer 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; TC3.5(c)(iv),  
TC3.5(d)
- (ii) none of the 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 Open Offer; TC3.5(c)(iii)
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, details of which as 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 the 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 Open Offer and/or the Whitewash Waiver; TC3.5(f)
- (v) save for the Open Offer being conditional upon obtaining of the Whitewash Waiver by Ms. Lau as set out in the section headed “Conditions of the Open Offer” of this announcement, there is no agreement or arrangement to which the 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 Open Offer and/or the Whitewash Waiver; TC3.5(g)

- (vi) none of the 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; TC3.5(h)
- (vii) apart from the Open Offer Shares to be subscribed 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 Open Offer 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) the Ms. Lau or parties acting in concert with her; or (b) the Company, its subsidiaries or associated companies.]

### **The Special Deal**

As at the date of this announcement, the Company is indebted to Ms. Lau in the amount of the Shareholder's Loan.

As stated in the section headed "CONNECTED TRANSACTION IN RELATION TO THE SET-OFF" in this announcement, pursuant to the Set-Off Deed, it is intended that the funds to be raised from the subscription of Open Offer Shares by Ms. Lau will be applied towards the Set-Off.

The proposed Set-Off, which is a form of repayment to a Shareholder of indebtedness due by the Company, is not capable of being extended to all Shareholders and constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Open Offer and the Special Deal are fair and reasonable; and (iii) approval by the Independent Shareholders at the SGM, at which Ms. Lau and parties acting in concert with her who are Shareholders will be required to abstain from voting on the relevant resolutions approving the Set-Off and the Special Deal. The Company will apply to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

### **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 Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal, and as to the voting action therefor.

[An independent financial adviser will be / The Independent Financial Adviser has been] appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal. [The appointment of the Independent Financial Adviser will be approved by the Independent Board Committee. An announcement will be made upon the appointment of the Independent Financial Adviser.]

## **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 Open Offer and to provide the Company with flexibility for fund raising 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, 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 Open Offer Shares upon Open Offer 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 Open Offer, the Set-Off, the Whitewash Waiver, the Special Deal and the Increase of 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 Open Offer will be required to abstain from voting in respect of the resolution(s) to approve the Open Offer at the SGM.

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

Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders 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 Open Offer under Rule 7.27A(1) of the Listing Rules, no other Shareholder is involved in or interested in the Open Offer and/or the Whitewash Waiver and will be required to abstain from voting in respect of the resolution(s) to approve the Open Offer and/or the Whitewash Waiver at the SGM.]

#### **DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR**

*LR14A.68(11)*

The Prospectus containing further information in relation to the Open Offer and financial and other information relating to the Group is expected to be despatched by the Company together with the Application Form and EAF on or before [Friday, 9 April] 2021. A copy of the Prospectus will also be made available on the websites of the Company ([www.chinalotsynergy.com](http://www.chinalotsynergy.com)) and the Stock Exchange ([www.hkexnews.hk](http://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 Application Form or the EAF to them.

The Circular containing, among other things, (i) further information regarding the Open Offer, the Set-Off, the Whitewash Waiver, the Special Deal 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 Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal; (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 [\*] 2021). However, as it is expected that additional time is required for the preparation of the Circular, an application will be made to the Executive to extend the deadline for the despatch of the Circular. Further announcement(s) will be made in this regard as and when appropriate.

## **WARNING OF THE RISKS OF DEALING IN SHARES**

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE OPEN OFFER IS CONDITIONAL UPON, AMONG OTHERS, CONDITIONS SET OUT IN THE SECTION HEADED “CONDITIONS OF THE OPEN OFFER” IN THIS ANNOUNCEMENT. ACCORDINGLY, THE OPEN OFFER 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 OPEN OFFER ARE FULFILLED WILL BEAR THE RISK THAT THE OPEN OFFER 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 [\*] 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

“Application Form”	the application form to be used in connection with the Open Offer in such form as the Company may approve
“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 Open Offer, the Set-Off, the Whitewash Waiver, the Special Deal and the Increase in Authorised Share Capital
“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)
“Companies Registry”	Companies Registry of Hong Kong
“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 Open Offer Shares
“Entitlement Shares”	Open Offer Shares to be subscribed for by Ms. Lau under her assured allotment 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 Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in

respect of the Open Offer, the Set-Off, the Whitewash Waiver and the Special Deal

“Independent Shareholders”	<p>in respect of the Open Offer only, (i) Shareholders other than (1) Ms. Lau and parties acting in concert with her and (2) all executive Directors and their respective associates (as defined under the Listing Rules); (ii) Shareholders who are involved in or interested in the Open Offer; and (iii) those who are required under the Listing Rules to abstain from voting at the SGM</p> <p>in respect of the Set-Off, the Whitewash Waiver and the Special Deal, (i) Shareholders other than Ms. Lau and parties acting in concert with her; (ii) Shareholders who are involved in or interested in the Set-Off, the Whitewash Waiver and/or the Special Deal (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 of, and not connected with, the Company and its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking given by Ms. Lau in favour of the Company dated [29] January 2021
“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 Application”	[4:00 p.m.] on [Friday, 23 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 Open Offer 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 a third party independent of the Company and its connected persons as at the date of this announcement
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not apply for the Open Offer Shares (whether partially or fully) in their assured allotments and/or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Open Offer 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
“Non-Qualifying Shareholders’ Open Offer Open Offer Shares”	Open Offer Shares which would otherwise have been allotted and issued to the Non-Qualifying Shareholders
“Open Offer”	the proposed offer for subscription of the Open Offer Shares at the Open Offer Price on the basis of two (2) Open Offer 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 Open Offer” in this announcement
“Open Offer Completion”	completion of the Open Offer
“Open Offer Price”	the open offer price of HK\$[0.1] per Open Offer Share
“Open Offer Settlement Date”	[Friday, 30 April] 2021

“Open Offer Shares”	the new Share(s) to be allotted and issued under the Open Offer, being up to [2,058,961,466] Shares (assuming no change in the number of issued Shares from the date of this announcement up to and including the Record Date)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at [5:00] p.m. on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“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 activity, which will place the Placing Shares to investors who are not Shareholders and are otherwise Independent Third Parties under the Unsubscribed Arrangements
“Placing Agreement”	the agreement dated [29] January 2021 entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements
“Placing End Date”	[Thursday, 29 April] 2021, being the third Business Day following and excluding the day on which the Latest Time for Application falls, or such other dates as the Company may announce
“Placing Period”	the period from [Wednesday, 28 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 Unsubscribed Arrangements
“Placing Price”	HK\$[0.1] per Placing Share
“Placing Share(s)”	Unsubscribed Share(s)
“Posting Date”	[Friday, 9 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 Documents”	the Prospectus, the Application Form(s) and the EAF(s)

“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“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 assured allotments under the Open Offer are expected to be determined, which is [Thursday, 8 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 Open Offer Shares to be applied for by Ms. Lau
“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 pursuant to the terms of the Set-Off Deed
“Set-Off Amount”	the amount of the Shareholder’s Loan to be offset against the subscription price of the relevant Open Offer 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
“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 Open Offer, the Set-Off, the Whitewash Waiver, the Special Deal and the Increase of 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 million at an interest rate of 9.50% per annum advanced by Ms. Lau to the Borrower pursuant to the Amended Loan Agreement
“Special Deal”	the Set-Off which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Trust Deeds”	collectively, the First Supplemental Trust Deed, the Second Supplemental Trust Deed and the Third Supplemental Trust Deed
“Supplemental Loan Agreement”	the supplemental 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
“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
“Unsubscribed Arrangements”	arrangements to place the Placing Shares by the Placing Agent on a best effort basis to investors

who (or as the case maybe, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.26A(1)(b) of the Listing Rules

“Unsubscribed Shares”	excess Open Offer Shares that are not subscribed for by the Qualifying Shareholders
“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 Open Offer 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, [\*] 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.*

2.14

*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.*

**Annexure 2**

**The Deed of Set-off**



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**DEED OF SET-OFF**

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dated

**29 JANUARY 2021**

by

**LAU TING**  
as Lender

and

**CHINA LOTSYNERGY LIMITED**  
as Borrower

and

**CHINA LOTSYNERGY HOLDINGS LIMITED**  
as Issuer

**Baker  
McKenzie.**

貝克·麥堅時律師事務所

**Baker & McKenzie**  
14th Floor, One Taikoo Place  
979 King's Road, Quarry Bay  
Hong Kong SAR

香港鰂魚涌英皇道 979 號  
太古坊一座 14 樓

[www.bakermckenzie.com](http://www.bakermckenzie.com)

## Deed of Set-off

This Deed is dated 29 January 2021

### Among

**LAU TING** (holder of Hong Kong identity card number K808252(9)) of House 9, 12 Shouson Hill Road, Shouson Hill, Southern District, Hong Kong (the "**Lender**");

**CHINA LOTSYNERGY LIMITED**, a company incorporated in Hong Kong with limited liability (registered number 0703097) whose registered office is at Unit 3308, 33/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (the "**Borrower**"); and

**CHINA LOTSYNERGY HOLDINGS LIMITED**, a company incorporated in Bermuda with limited liability whose registered address is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and whose principal place of business in Hong Kong is at Unit 3308, 33rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (the "**Issuer**").

(The Lender, the Borrower and the Issuer are referred to individually as a "**Party**" and collectively as the "**Parties**").

### Recitals

- A. The Lender as lender and the Borrower as borrower entered into a loan agreement dated 21 January 2020 (the "**Loan Agreement**") pursuant to which the Lender had advanced to the Borrower a loan in the principal amount of HK\$50,000,000 (the "**Loan**") for a term of one year at an interest rate of 9.50% per annum upon and subject to the terms and conditions set out therein. By entering into a supplemental agreement dated 20 January 2021 (the "**Supplemental Agreement**"), the Lender and the Borrower agreed to extend the maturity date of the loan to 20 January 2022. A copy of the Loan Agreement and the Supplemental Agreement are annexed to this Deed as Annexure 1.
- B. The Borrower is an indirect wholly-owned subsidiary of the Issuer.
- C. The Issuer intends to offer new Shares for subscription at HK\$0.10 per Share by the Shareholders by way of the Open Offer on the basis of two Open Offer Shares for every existing Share held by the Shareholders on the Record Date. A copy of the latest draft of the announcement in relation to the Open Offer (the "**Announcement**") is annexed to this Deed as Annexure 2.
- D. In connection with the Open Offer, the Lender entered into an irrevocable undertaking in favour of the Issuer (the "**Irrevocable Undertaking**"), pursuant to which the Lender has agreed to, among other things, to apply and pay for, or procure to be applied and paid for:
- a. all the Open Offer Shares which will be under her assured entitlement in respect of the Shares beneficially owned by her (the "**Entitlement Shares**"); and
  - b. such number of excess Open Offer Shares (the "**Relevant Excess Shares**") which is no less than 616,981,126 Open Offer Shares but no more than the difference between (A) the total number of Open Offer Shares and (B) all Entitlement Shares
- upon the terms and subject to the conditions of the Open Offer set out in the Prospectus Documents and the Irrevocable Undertaking. A copy of the Irrevocable Undertaking is annexed to this Deed as Annexure 3.
- E. The Parties have agreed to restructure the Loan by offsetting the outstanding balance of the Loan on a dollar-to-dollar basis against an equivalent amount of the subscription price of the Entitlement Shares and the Allocated Relevant Excess Shares whereupon the Lender has agreed

to release and discharge the Borrower from the Loan on the terms and subject to the conditions set out in this Deed.

## **Operative Provisions**

### **1. Definitions and Interpretation**

#### **Definitions**

1.1 In this Deed, the following expressions shall, unless the context requires otherwise, have the following meanings:

“**Allocated Relevant Excess Shares**” means the Relevant Excess Shares being allocated to the Lender pursuant to the terms and conditions of the Open Offer.

“**Amended Loan Agreement**” means the Loan Agreement as amended and supplemented by the Supplemental Loan Agreement.

“**Business Day**” means a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning number 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.

“**Deed**” means this deed, including the Recitals and Annexure, as may be amended or varied from time to time by an agreement in writing and duly signed by or on behalf of each of the Parties.

“**HK\$**” means Hong Kong dollars, the lawful currency of Hong Kong.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People's Republic of China.

“**Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“**Open Offer**” means the proposed offer for subscription of the Open Offer Shares at HK\$0.10 on the basis of two (2) Open Offer Shares for every one (1) existing Share held by the Shareholders on the Record Date and subject to the conditions set out in the prospectus to be issued by the Issuer in relation to the Open Offer.

“**Open Offer Completion**” means the completion of the Open Offer.

“**Open Offer Completion Date**” means the date of the Open Offer Completion.

“**Open Offer Share(s)**” means the new Share(s) to be allotted and issued under the Open Offer.

“**Record Date**” means Thursday, 8 April 2021 or such other date as the board of directors of the Issuer may determine, being the date by reference to which the Shareholders' entitlements to the Open Offer are to be determined;

“**SFC**” means the Securities and Futures Commission of Hong Kong.

“**SFO**” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

“**Shareholder(s)**” means the holder(s) of the Share(s).

“**Share(s)**” means ordinary share(s) with par value of HK\$0.025 each in the capital of the Issuer.

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited.

“**Takeovers Code**” means the Hong Kong Code on Takeovers and Mergers administered by the SFC.

## **Interpretation**

- 1.2 References to this Deed include the Recitals and the Annexure which form part of this Deed for all purposes. References in this Deed to the Parties, the Recitals, the Annexure and Clauses are references respectively to the Parties and their legal personal representatives, successors and permitted assigns, the recitals and annexure to and clauses of this Deed.
- 1.3 Save where specifically required or indicated otherwise:
- (a) words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof; and
  - (b) references to a person shall include any individual, firm, body corporate, unincorporated association, government, state or agency of state, association, joint venture or partnership, in each case whether or not having a separate legal personality. References to a company shall be construed so as to include any company, corporation or other body corporate wherever and however incorporated or established.
- 1.4 Clause and paragraph headings are inserted for ease of reference only and shall not affect construction.

## **2. Set-off**

The Parties hereby agree, acknowledge and covenant with each other that conditional upon the Open Offer becoming unconditional pursuant to the terms and conditions as set out in the prospectus in connection therewith:

- (a) the Loan owed by the Borrower to the Lender as at the Open Offer Completion Date shall be offset on a dollar-to-dollar basis against the payment of subscription price in respect of (i) all Entitlement Shares and (ii) the Relevant Excess Shares in the manner as set out in this Clause 2;
- (b) at the time of the application for the Entitlement Shares by the Lender, the payment of the subscription price in respect of all Entitlement Shares owed by the Lender shall be satisfied by the set-off against the equivalent amount of the Loan owed by the Borrower to the Lender as at the Open Offer Completion Date with effect from the Open Offer Completion;
- (c) at the time of the application for the Relevant Excess Shares by the Lender, the payment of the subscription price in respect of all Relevant Excess Shares payable by the Lender to the Issuer (the “**Relevant Excess Subscription Price**”) shall be deemed to be satisfied in the following sequence:
  - (i) the set-off of the remaining amount of the Loan owed by the Borrower as at the Open Offer Completion Date after the set-off pursuant to Clause 2(b) against the equivalent amount of the Relevant Excess Subscription Price;
  - (ii) the payment in cash to the Issuer of the difference between the Relevant Excess Subscription Price and the amount deemed to be offset pursuant to Clause 2(c)(i);
- (d) on the Open Offer Completion Date:

- (i) the subscription price in respect of all Entitlement Shares payable by the Lender shall be offset against the equivalent amount of the Loan as at that date;
- (ii) if the subscription price in respect of the Allocated Relevant Excess Shares is greater than the remaining amount of the Loan as at that date after the set-off pursuant to Clause 2(d)(i):
  - (A) the said remaining amount of the Loan shall be offset against the equivalent amount of the subscription price in respect of the Allocated Relevant Excess Shares;
  - (B) the Issuer shall refund such part of the payment in cash pursuant to Clause 2(c)(ii) equivalent to the difference of subscription price in respect of (1) the Relevant Excess Shares; and (2) the Allocated Relevant Shares in the manner as the Lender reasonably requires; and
  - (C) the Borrower shall repay, and the Issuer shall procure the repayment of all outstanding interests owed by the Borrower to the Lender accrued on the Loan up to but excluding the Open Offer Completion Date, in cash to the Lender;
- (iii) if the subscription price in respect of the Allocated Relevant Excess Shares is equal to the remaining amount of the Loan as at that date after the set-off pursuant to Clause 2(d)(i):
  - (A) the said remaining amount of the Loan shall be offset against the equivalent amount of the subscription price in respect of the Allocated Relevant Excess Shares; and
  - (B) the Borrower shall repay, and the Issuer shall procure the repayment of all outstanding interests owed by the Borrower to the Lender accrued on the Loan up to but excluding the Open Offer Completion Date, in cash to the Lender;
- (iv) if the subscription price in respect of the Allocated Relevant Excess Shares is less than the remaining amount of the Loan as at that date after the set-off pursuant to Clause 2(d)(i):
  - (A) the said subscription price shall be offset against the equivalent amount of the Loan; and
  - (B) the Borrower shall repay the remaining balance of the principal amount of the Loan after the set-off pursuant to Clause 2(d)(iv)(A) and pay all unpaid interests accrued and to be accrued on the Loan pursuant to the terms of the Amended Loan Agreement.

### **3. Release and Discharge**

In consideration of and subject to (i) compliance with the arrangement set out in Clause 2 and (ii) the entire principal amount of the Loan payable by the Borrower to the Lender being offset against the subscription price of all Entitlement Shares and the Allocated Relevant Excess Shares pursuant to Clause 2(d), the Lender hereby irrevocably and unconditionally releases and discharges 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 Open Offer Completion Date.

#### **4. Intra-group Indebtedness**

The Borrower and the Issuer hereby agree and acknowledge that, in consideration of the arrangement set out in Clauses 2 and 3, with effect from the Open Offer Completion Date:

- (a) the Borrower owes to the Issuer an amount of the Loan being offset against the subscription price in respect of all Entitlement Shares and the Relevant Excess Shares as a result of Clause 2, and such amount shall be repayable on demand; and
- (b) no interest shall accrue or be payable on such indebtedness.

#### **5. Warranties**

Each Party represents and warrants to each other Party that:

- (a) it/she has full power, authority and legal right to execute and perform this Deed;
- (b) in the case of the Borrower and the Issuer, it has taken all necessary legal and corporate action to authorise the execution and performance of this Deed; and
- (c) this Deed constitutes a legal, valid and binding obligation of such Party in accordance with its terms.

#### **6. Confidentiality**

None of the Parties shall, without the prior consent of the other Parties, disclose the terms of, or any matters referred to in, this Deed except to its/her professional advisers and senior management whose province it is to know such terms or matters and to those persons to whom it may be necessary to disclose such terms or matters for the purpose of or in connection with this Deed and subject as required by law or by the Stock Exchange, the SFC or any other relevant authorities in Hong Kong or elsewhere or by virtue of the SFO, the Listing Rules, the Takeovers Code or of any other regulatory requirements.

#### **7. Notice**

##### **7.1 Communications in writing**

Any communication to be made under or in connection with this Deed shall be made in writing and, unless otherwise stated, may be made in person, by post, by facsimile or by e-mail or other electronic communication. For the purpose of this Deed, an electronic communication will be treated as being in writing.

##### **7.2 Addresses**

The address and fax number and e-mail address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Deed is as follows:

- (a) in the case of the Lender, that identified with her name in her signature page below;
- (b) in the case of the Borrower, that identified with its name in its signature page below; and
- (c) in the case of the Issuer, that identified with its name in its signature page below;

or any substitute address, fax number, e-mail address or department or officer as the Party may notify to the other Parties by not less than five (5) Business Days' notice.

### 7.3 **Delivery**

- (a) Any communication or document made or delivered by one person to another under or in connection with this Deed will be effective:
  - (i) if in person, at the time of delivery;
  - (ii) if by e-mail or any other electronic communication, when received in legible form;
  - (iii) if by way of fax, only when the relevant delivery receipt is received by the sender; or
  - (iv) if by way of letter, only when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it/her at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 7.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document which becomes effective, in accordance with this Clause 7, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following Business Day.

## 8. **Governing Law and Dispute Resolution**

### 8.1 **Governing law**

This Deed and any non-contractual obligations arising out of or in connection therewith are governed by and shall be construed in accordance with Hong Kong law.

### 8.2 **Jurisdiction of Hong Kong Courts**

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Deed or its subject matter, existence, negotiation, validity, termination or enforceability (a “**Dispute**”).
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle the Disputes and accordingly the Lender will not:
  - (i) argue to the contrary; or
  - (ii) take any proceedings relating to a Dispute in any jurisdiction other than Hong Kong.

### 8.3 **Contracts (Right of Third Parties) Ordinance**

A person who is not a party to this Deed shall not have any rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce, or to enjoy the benefit of, any term of this Deed.

## 9. **Miscellaneous**

### 9.1 **Whole agreement**

Subject to any term implied by law, this Deed represents the whole and only agreement between the Parties in relation to its subject matter and supersedes any previous agreement or arrangement (whether written or oral) between the Parties in relation to its subject matter save

that nothing in this Deed shall exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

**9.2 Further assurances**

At any time after the date of this Deed, each Party shall, at its/her own cost and expense, execute and/or deliver or procure the execution and/or delivery of such document(s), and/or do or perform or procure the doing or performance of such acts and things, as may be required by law or as any other Party may reasonably require to implement and/or give effect to this Deed.

**9.3 Severability**

The Parties intend that every provision of this Deed shall be and remain valid and enforceable to the fullest extent permitted by law. If any such provision is or at any time becomes to any extent invalid, illegal or unenforceable under any enactment or rule of law, it shall to that extent be considered not to form part of this Deed but (except to that extent in the case of that provision) it and all other provisions of this Deed shall continue in full force and effect and their validity, legality and enforceability shall not be affected or impaired as a result, subject to the operation of this Clause 9.3 not negating the commercial intent and purpose of the Parties under this Deed.

**9.4 Counterparts**

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

IN WITNESS whereof this Deed has been executed by the Parties as a deed and is intended to be and is hereby delivered on the date first above written.

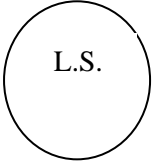


**Execution**

**THE LENDER**

**SIGNED, SEALED and** )  
**DELIVERED** as a Deed )  
by LAU TING )  
in the presence of: )  
)  
)

\_\_\_\_\_  
Signature



\_\_\_\_\_  
Witness  
Name:  
Address:  
Occupation:

Notice details:

Address: House 9, 12 Shouson Hill Road, Shouson Hill, Southern District, Hong Kong

Fax:

Email:

**THE BORROWER**

Executed as a deed )  
by affixing the common seal of )  
CHINA LOTSYNERGY LIMITED )  
in the presence of )  
)  
)  
)  
)

\_\_\_\_\_  
Print name:  
Director

\_\_\_\_\_  
Print name:  
Director/Secretary

Notice details:

Address: Unit 3308, 33/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

Fax:

Attention:

Email:

**THE ISSUER**

Executed as a deed )  
by affixing the common seal of )  
CHINA LOTSYNERGY HOLDINGS LIMITED)  
in the presence of )

\_\_\_\_\_  
Print name:  
Director

\_\_\_\_\_  
Print name:  
Director/Secretary

Notice details:

Address: Unit 3308, 33rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai,  
Hong Kong

Fax:

Attention:

Email:

**Annexure 1**

**The Loan Agreement and the Supplemental Agreement**

## **Annexure 2**

### **The Announcement**


**Annexure 3**


**Irrevocable Undertaking**

IN WITNESS whereof this Deed has been executed and delivered on the day and year first above written.

**SIGNED, SEALED** and  
**DELIVERED** as a Deed  
by **LAU TING**  
in the presence of:

)  
)  
)  
)  
)  
)

  
\_\_\_\_\_  
Signature



  
\_\_\_\_\_

Witness

Name: Richard Tan  
Address: 5308, Office Tower, Convention Plaza, Wanchai, HK  
Occupation: CFO