# **DEED OF SET-OFF**

dated

### 29 JANUARY 2021

by

### LAU TING as Lender

and

### CHINA LOTSYNERGY LIMITED as Borrower

and

### CHINA LOTSYNERGY HOLDINGS LIMITED as Issuer



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

# **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:
  - 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;
  - 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 <u>less than</u> 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: Richard Tun Address: SZOB, Office Tower, Convention Plaza, Wanchai, HK Occupation: CFO

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: CHAN Tan Na, Donna 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: CHAN Tyn Na, Donna Director



Print name: Work His Warg Director/Secretary

Notice details:

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

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Fax:

Attention:

Email:

Annexure 1

The Loan Agreement and the Supplemental Agreement

# 借款协议

本借款协议(以下称为"本协议")由下列双方于 2020 年 1 月 21 日签署: (1) 刘婷(香港身份证号码: K808252(9),以下称为"贷款方");

(2) **华彩资源有限公司**(一间于香港成立的公司,以下称为"借款方")。 贷款方和借款方以下统称为"双方",单称为"一方"。

鉴于:

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借款方拟根据本协议之条款向贷款方借款,而贷款方拟同意该项借款,甲乙双方 达成协议如下:

# 1. 定义

除非本协议上下文另有规定,下列术语应具体为下文所规定的含义。

- 1.1 "借款",指贷款方依据本协议向借款方提供的借款共计港币 5000 万元。
- 1.2 放款日,指本协议第2.3条规定之借款放款日。
- 1.3 **放款通知书,**指根据本协议第 2.3.1 条规定借款方通知贷款方放款之通知 书。
- 1.4 还款日,受限于本协议第4.2条规定,指借款期限到期日。
- 1.5 "违约事件",指本协议第5条规定的任一违约事件。
- 2. 借款

# 2.1 借款金额、期限

- 2.1.1 根据本协议,贷款方向借款方提供的借款总额为港币 5000 万元。
- 2.1.2 根据本协议,贷款方根据借款方所送达之放款通知书,于其要求之放款 日向借款方放款,惟放款日不得迟于本协议后之 30 天内。
- 2.1.3 借款期限为一年,自放款日起计算。

2.1.4 借款方无法就借款提供任何抵押品。

2.2 利息

借款的利率按照年利率 9.5%计算,利息按月支付。如借款方未能于还款日偿还 所欠款项,贷款方将有权向借款方就所欠款项收取违约年利息 5%。

2.3 放款

2.3.1 贷款方将在放款通知书所要求并获贷款方同意的放款日日期,将借款通过 电汇方式汇至借款方指定账户。

2.3.2 借款方应当在收到上述款项后向贷款方签署确认书以确认收悉该等款项。

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3. 陈述和保证

借款方向贷款方陈述和保证如下:

- (a) 其有权签订本协议并履行本协议项下的义务;
- (b) 其签署、送达和履行本协议不会构成或导致:(i)违背或违反任何适用的法律法规;(ii)违背或违反任何对其有约束力的现有协议、租约、执照、批准、许可、抵押、安排或其他义务,或者构成对上述文件的违约。

### 4. 还款

4.1 双方在此确认并同意,借款方应于还款日一次性归还上述借款本金。

4.2 尽管与还款日之条文及本协议中其他相关条文相反规定,贷款人保留权利, 可于放款日之3个月后至还款日之任何时间内,以书面要求借款人按照贷款人指 示的方式实时偿还未清债务或其任何部分。

4.3 借款方可于还款日之1个月前,书面要求贷款方将借款延期。贷款方有权决定是否延期。

# 5. 违约

- 5.1 本条下述事项构成借款方的违约事件:
  - (a) 借款方未能按双方的约定履行其责任或义务;
  - (b) 借款方在本协议第 3 条所作的任何陈述或保证有实质性的误导或错误;
  - (c) 借款方违反本协议项下的任何承诺或任何条款;
  - (d) 借款方不能偿还一般债务或其他欠债;
  - (e) 借款方未能有效存续而被终止、清算或解散。
- 5.2 除非上述第 5.1 条所列的违约事件已以令贷款方满意的方式得到解决,否则贷款方可在违约事件发生时或发生后的任何时间以书面形式向借款方发出违约通知,宣布本协议项下的借款和其利息以及本协议项下所有其他孳生或拖欠的款项立即到期,要求借款方在贷款方规定的期限内还款付息、履行其义务、采取补救措施并赔偿由其违约给贷款方造成的经济损失。

### 6. 适用法律

本协议应受香港法律管辖并按香港法律解释。

7. 管辖权

双方同意,因本协议引起的或与本协议有关的任何法律诉讼或程序可在香港的法院提起,并且服从该等法院的非专属管辖权。

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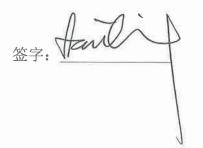
- 8. 其他事项
- 8.1 本协议用中文作成,正本一式两(2)份,双方各执一份,每份正本具有同等法律效力。
- 8.2 本协议任何条款赋予双方的任何权利、权力和补救是累积的,并不能排除 该方依据法律规定及本协议项下其他条款所享有的其他任何权利、权力或 补救,且一方对其权利、权力和补救的行使并不排除该方对其享有的其他 权利、权力和补救的行使。
- 8.3 任何一方未行使或延迟行使本协议项下的一项权利或救济时,将不构成其 对该权利或救济的放弃,也不构成其对任何其他权利或救济的放弃,并且 任何一方单独或部分行使本协议项下的权利或救济时,也不妨碍其进一步 行使该权利或救济,或行使任何其他权利或救济。
- 8.4 本协议各条的标题仅为索引而设,在任何情况下,该等标题不得用于或影 响对本协议条文的解释。
- 8.5 本协议的每一条款均可分割且独立于其他每一条款,如果在任何时候本协议的任何一条或多条条款成为无效、不合法或不能执行,本协议其他条款的有效性、合法性和可执行性并不因此而受到影响。如出现本协议的任何一条或多条条款无效、不合法或不能执行的情况,各方应真诚地进行磋商,以商定以各方均感满意的条款代替无效,不合法或无法执行的条款。
- 8.6 本协议一经签署即取代双方之前就同一主题签署的任何其他法律文件。本 协议的任何修改、补充必须以书面形式进行,并由本协议双方适当签署后 方能生效,并且对本协议的修改或补充约定优先于本协议的约定。
- 8.7 未经贷款方事先书面同意,借款方不得向任何第三方转让其于本协议下的 任何权利及/或义务。贷款方则有权自行决定是否将其在本协议下的权利及 /或义务转让给其他第三方,而无须事先取得借款方同意。
- 8.8 本协议对双方的合法受让人或继承人均具有约束力。
- 8.9 本协议自双方签署之日起生效。

# 【签署页】

兹此为证,本借款协议由双方于文首之日期签署。

刘婷

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华彩资源有限公司

	For and on behalf of China LotSynergy Limit 華彩資源有限公司	L
签字:	Authorised Signature(s)	
姓名:	P束丹文那	
职务:	古事	

# 借款协议 补充协议

本借款协议(以下称为"本协议")由下列双方于 2021 年 1 月 Zo 日签署:

(1) 刘婷(香港身份证号码: K808252(9),以下称为"贷款方");

(2) 华彩资源有限公司(一间于香港成立的公司,以下称为"借款方")。 贷款方和借款方以下统称为"双方",单称为"一方"。

# 1. 鉴于

- 1.1 双方于 2020 年 1 月 21 日签订一份借款协议(「该协议」),双方同意 由贷款方向借款方提供借款总额港币 5000 万元。借款期限为一年, 自放款日起计算。借款的利率按照年利率 9.5%计算,利息按月支付。
- 1.2 除非本协议上下文另有规定,本协议所用词汇具有该协议所赋予的涵义。
- 1.3 于本协议日,经双方友好协商,现双方同意如下条款:
- 2. 延长借款
  - 2.1 双方于本协议签订同意,该协议项下借款总额港币 5000 万元之借款 期限,延长一年,至 2022 年 1 月 20 日到期。
  - 2.2 除上文第 2.1 条之修订外,该协议项下所有条款维持不变及继续有效。
- 3. 其他事项
  - 3.1 本协议用中文作成,正本一式两(2)份,双方各执一份,每份正本 具有同等法律效力。
  - 3.2 本协议任何条款赋予双方的任何权利、权力和补救是累积的,并不能 排除该方依据法律规定及本协议项下其他条款所享有的其他任何权 利、权力或补救,且一方对其权利、权力和补救的行使并不排除该方 对其享有的其他权利、权力和补救的行使。
  - 3.3 任何一方未行使或延迟行使本协议项下的一项权利或救济时,将不构成其对该权利或救济的放弃,也不构成其对任何其他权利或救济的放弃,并且任何一方单独或部分行使本协议项下的权利或救济时,也不妨碍其进一步行使该权利或救济,或行使任何其他权利或救济。
  - 3.4 本协议各条的标题仅为索引而设,在任何情况下,该等标题不得用于 或影响对本协议条文的解释。
  - 3.5 本协议的每一条款均可分割且独立于其他每一条款,如果在任何时候 本协议的任何一条或多条条款成为无效、不合法或不能执行,本协议

其他条款的有效性、合法性和可执行性并不因此而受到影响。如出现 本协议的任何一条或多条条款无效、不合法或不能执行的情况,各方 应真诚地进行磋商,以商定以各方均感满意的条款代替无效,不合法 或无法执行的条款。

- 3.6 本协议一经签署即取代双方之前就同一主题签署的任何其他法律文件。本协议的任何修改、补充必须以书面形式进行,并由本协议双方适当签署后方能生效,并且对本协议的修改或补充约定优先于本协议的约定。
- 3.7 未经贷款方事先书面同意,借款方不得向任何第三方转让其于本协议下的任何权利及/或义务。贷款方则有权自行决定是否将其在本协议下的权利及/或义务转让给其他第三方,而无须事先取得借款方同意。
- 3.8 本协议对双方的合法受让人或继承人均具有约束力。
- 3.9 本协议自双方签署之日起生效。

### 4. 适用法律

本协议应受香港法律管辖并按香港法律解释。

# 5. 管辖权

双方同意,因本协议引起的或与本协议有关的任何法律诉讼或程序可在香 港的法院提起,并且服从该等法院的非专属管辖权。

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【签署页】

兹此为证,本借款协议由双方于文首之日期签署。

刘婷

签字:

华彩资源有限公司

For and on behalf of China LotSynergy Limited 業彩資源有限公司 mon 签字: ..... 姓名: CHAN Tan Mar Donna (s) 职务: Director

Annexure 2

The Announcement

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

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.

This announcement appears for information purposes only and does not constitute an  $^{14.60(4)(a)}$  invitation or offer to acquire, purchase or subscribe for any securities of the Company.

[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)	13.51A 13.28(1)
(Incorporated in Bermuda with limited liability)	15.20(1)

7.19(3)

# (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**

[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 <sup>13.28(4)</sup> Qualifying Shareholder upon application for the assured allotment of Open Offer Shares under the Open Offer, represents:

- a discount of approximately [\*]% to the closing price of HK\$[\*] per Share as <sup>13.28(8)</sup> quoted on the Stock Exchange on [\*], being the date on which the Open Offer Price is fixed;
- (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 <sup>13.28(2)</sup> subscription of the Open Offer Shares, be range from HK\$[20,000,000] to HK\$[55,188,536.65].

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.

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**

[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

13.28(4)

TC3.5(e) 13.28(14) 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 <sup>7.19(3)</sup> 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.

# **Basis of assured allotment**

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

# 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 <sup>A1B18(2)</sup> 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.

# Status of the Open Offer Shares

The Open Offer Shares, when issued and fully paid, will be free from all liens, charges, <sup>A1B18(2)</sup> 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.

# Qualifying Shareholders and Non-Qualifying Shareholders

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

In order for the transferees to be registered as members of the Company by [5:00 p.m.] A1B18(2) 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.

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 <sup>7.26(1)(a)</sup> 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.

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  $_{7.26(3)(a)}$  equitable basis based on the following principles:

- (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 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**

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

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

A1B18(2)

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

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

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

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

14.60(4)(b)

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 <sup>7.19(3)</sup> assured entitlement in full or in part in connection with the Open Offer.

# **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 <sup>14.58(6)</sup> 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.

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.

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

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery, and continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

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

### **Reasons for and Benefits of the Set-Off**

[The Directors (excluding Ms. Chan and members of the Independent Board Committee whose opinion will be provided after taking into account the advice of 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

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

14.58(8)

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**

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 HK148,580,000 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.

13.28(3)In light of the above, the Company intends to raises funds by way of the Open Offer. 13.28(5) 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) 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;

7.24A 13.28(6)

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 7.19(3) THE DATE OF THIS ANNOUNCEMENT 7.19(3)

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] 202 1 to [Wednesday, 24 Mar ch] 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 cum- entitlement basis	[Thursday, 25 March] 2021	
First day of dealings in the Shares on an ex- 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	A1B18(2)
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 15	[Friday, 9 April] 2021	

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 TC3.5(c)(i)(ii) OF THE COMPANY

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:

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 u Open Offer Cor assumir acceptanc Qualifying Shard (other than M under the Ope and (b) all th Open Offer Shar subscribed by 1	npletion ng (a) no ce by the eholders Ms. Lau) n Offer; ne excess res were	acceptanc Qu Shareholder than Ms. Law the Open Offer; all the Unsul Shares were p Independe Parties u Unsul	mpletion ng (a) no ce by the ualifying rs (other u) under ; and (b) bscribed blaced to nt Third	Con assumin acceptanc Qu Shareholder than M under th Offer and Independer Parties tool	en Offer npletion og (a) no e by the halifying rs (other Is. Lau) he Open l; (b) no nt Third
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau (Note 1)	[91,509,437]	[8.89]	[274,528,311]	[8.89]	[2,150,470,903]	[69.63]	[851,509,437]	[28.87]	[851,509,437]	[48.73]
Parties acting in concert with Ms. Lau Hang Sing Overseas Limited <sup>(Note 2)</sup> Strong Purpose	[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]
Corporation <sup>(Note 3)</sup> Glory Add	[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]
Limited <sup>(Note 4)</sup> Mr. Chan Shing	[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]
(Note 5)	[24,248,642]	[2.36]	[75,745,926]	[2.36]	[24,248,642]	[0.79]	[24,248,642]	[0.79]	[24,248,642]	[1.33]

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

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]
Sub-total of the Ms. Lau and parties acting in concert with the her	[204,222,179]	[19.84]	[612,666,537]	[19.84]	[2,263,183,645]	[73.28]	[1,004,222,179]	[32.52]	[1,004,222,17 9]	[54.89]
Other Directors (Note 7)										
Mr. Wu Jingwei (Note 8)	[8,220,000]	[0.80]	[24,660,000]	[0.80]	[8,220,000]	[0.27]	[8,220,000]	[0.27]	[8,220,000]	[0.45]
Mr. Li Zi Kui (Note 8)	[2,800,000]	[0.27]	[8,400,000]	[0.27]	[2,800,000]	[0.09]	[2,800,000]	[0.09]	[2,800,000]	[0.15]
Ms. Zhu Xinxin (Notes 8 and 9)	[1,850,000]	[0.18]	[5,550,000]	[0.18]	[1,850,000]	[0.06]	[1,850,000]	[0.06]	[1,850,000]	[0.10]
Mr. Huang Shenglan <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]
Sub-total	[13,180,000]	[1.28]	[39,540,000]	[1.28]	[13,180,000]	[0.43]	[13,180,000]	[0.43]	[13,180,000]	[0.72]
Independent placees Other public	-	-	-	-	-	-	[1,258,961,466]	[40.76]	-	-
Shareholders	[812,078,554]	[78.88]	[2,436,235,662]	[78.88]	[812,078,554]	[26.29]	[812,078,554]	[26.29]	[812,078,554]	[44.39]
Total	[1,029,480,733]	[100]	[3,088,442,199]	[100]	[3,088,442,199]	[100]	[3,088,442,199]	[100]	[1,829,480,73 3]	[100]

## Submission proof (1): 28 January 2021

# 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 u Open Offer Cor assumir acceptanc Qualifying Shard (other than M under the Ope and (b) all th Open Offer Shar subscribed by 1	mpletion ng (a) no ce by the eholders Ms. Lau) en Offer; ne excess res were	acceptanc Qu Shareholder than Ms. Lau the Open Offer; all the Unsul Shares were p Independer Parties un Unsul	mpletion ng (a) no ce by the ualifying rs (other u) under ; and (b) bscribed olaced to nt Third	assumin acceptance Qu Shareholder than M under th Offer and Independen Parties tool	en Offer npletion g (a) no e by the halifying rs (other fs. Lau) ne Open l; (b) no nt Third
	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]
Parties acting in concert with Ms. Lau Hang Sing Overseas Limited <sup>(Note 2)</sup> Strong Purpose Corporation <sup>(Note</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]
3) Glory Add	[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]
Limited <sup>(Note 4)</sup> Mr. Chan Shing	[51,249,259] [24,248,642]	[4.98] [2.36]	[153,747,777] [75,745,926]	[4.64] [2.20]	[51,249,259] [24,248,642]	[1.55] [0.73]	[51,249,259] [24,248,642]	[1.55] [0.73]	[51,249,259] [24,248,642]	[2.69] [1.27]

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

(Note 5) Ms. Chan (Note 6) Sub-total of the Ms. Lau and parties acting in concert with the her	[15,936,000] [204,222,179]	[1.54 ] [19.84]	[47,808,000] [612,666,537]	[1.44] [18.50]	[15,936,000] [2,411,763,645]	[0.48] [72.83]	[15,936,000] [1,004,222,179]	[0.48] [30.33]	[15,936,000] [1,004,222,17 9]	[0.84] [52.75]
Other Directors (Note 7)										
Mr. Wu Jingwei (Note 8)	[8,220,000]	[0.80]	[24,660,000]	[0.74]	[8,220,000]	[0.25]	[8,220,000]	[0.25]	[8,220,000]	[0.43]
Mr. Li Zi Kui (Note 8)	[2,800,000]	[0.27]	[8,400,000]	[0.25]	[2,800,000]	[0.08]	[2,800,000]	[0.08]	[2,800,000]	[0.15]
Ms. Zhu Xinxin (Notes 8 and 9)	[1,850,000]	[0.18]	[5,550,000]	[0.17]	[1,850,000]	[0.06]	[1,850,000]	[0.06]	[1,850,000]	[0.10]
Mr. Huang Shenglan <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> <b>Sub-total</b>	[200,000] [13,180,000]	[0.02] [1.28]	[600,000] [39,540,000]	[0.02] [1.19]	[200,000] [13,180,000]	[0.01] [0.40]	[200,000] [13,180,000]	[0.01] [0.40]	[200,000] [13,180,000]	[0.01] [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]
Total	[1,029,480,733]	[100]	[3,311,312,199]	[100]	[3,311,312,199]	[100]	[3,311,312,199]	[100]	[1,903,770,73 3]	[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.
- 2. Hang Sing Overseas Limited is wholly owned by Orient Strength Limited, which is whollyowned by Ms. Lau. Ms. Lau is therefore deemed to be interested in the Shares held by Hang Sing Overseas Limited under the SFO.
- 3. Strong Purpose Corporation is wholly-owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO.
- 4. Glory Add Limited is wholly-owned by Favor King Limited, which is wholly-owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
- 5. Mr. Chan Shing is a party acting in concert with Ms. Lau. Please also refer to notes [3] and [4] above for the interest held by entities controlled by Mr. Chan Shing.
- 6. [Ms. Chan is the daughter of Ms. Lau and an executive Director. By virtue of being a close relative of Ms. Lau, Ms. Chan is presumed to be a party acting in concert with the Subscriber pursuant to class (8) presumption under the definition of "acting in concert" under the Takeovers Code.]
- 7. The Shares held by the other Directors consist of the Shares held by Directors other than Ms.

Chan.

- 8. [Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin are executive Directors, and Mr. Huang Shenglan and Mr. Cui Shuming are independent non-executive Directors. Pursuant to Rule 7.27A(1) of the Listing Rules, where there is no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the 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 placees, the shareholding of the existing public Shareholders would be reduced from approximately [78.88]% as at the date of this announcement to approximately [44.39]% upon the 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 placees, the shareholding of the existing public Shareholders would be reduced from approximately [78.88]% as at the date of this announcement to approximately [42.66]% upon the 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

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

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.

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.

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

TC3.5(b)

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

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

- 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;
- (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 <sub>TC3.5(c)(iii)</sub> irrevocable commitment to accept the Open Offer;
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, details of which as TC3.5(f) 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;
- (v) save for the Open Offer being conditional upon obtaining of the Whitewash <sup>TC3.5(g)</sup> 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;

- (vi) none of the Ms. Lau or parties acting in concert with her has borrowed or lent TC3.5(h) any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (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 Offerand/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

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 (www.chinalotsynergy.com) and the Company the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the 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

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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"	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
	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
"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 Qualifying Shareholder(s) who do not apply for Shareholder(s)" the Open Offer Shares (whether partially or fully) in their assured allotments and/or Non-Qualifying Shareholders (as the case may be)
- "Non-Qualifying Overseas Shareholder(s) whom the Board 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-QualifyingOpen Offer Shares which would otherwise have<br/>been allotted and issued to the Non-Qualifying<br/>ShareholdersOpen Offer Shares"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)

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<br/>Completion"completion of the Open Offer"Open Offer Price"the open offer price of HK\$[0.1] per Open Offer<br/>Share"Open Offer Settlement<br/>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), whose name(s) appear on the Shareholder(s)" 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 the second supplemental trust deed dated 4 Trust Deed" 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
"'0/o"	per cent.

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

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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.

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.

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Annexure 3

Irrevocable Undertaking

## **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 616,891,126 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

Annexure 2

The Deed of Set-off

**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 Signature

Witness Name: Address: Occupation:

## SUPPLEMENTAL DEED TO DEED OF SET-OFF

dated

#### 16 FEBRUARY 2021

by

## LAU TING as Lender

and

#### CHINA LOTSYNERGY LIMITED as Borrower

and

## CHINA LOTSYNERGY HOLDINGS LIMITED

as Issuer



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

## Supplemental Deed to Deed of Set-Off

## This Supplemental Deed is executed on 16 February 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 Parties entered into a deed of set-off dated 29 January 2021 (the "**Original Deed**") pursuant to which the parties have agreed to restructure the Shareholder's Loan by offsetting the outstanding balance of the Shareholder's Loan as at the Rights Issue Completion Date on a dollar-to-dollar basis against an equivalent amount of the aggregated Subscription Price of (i) all Entitlement Shares; and (ii) the Relevant Excess Shares allocated to the Lender.
- B. The Parties have agreed to amend and restate the Original Deed on the terms set out in this Supplemental Deed.

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

- 1.1 Unless otherwise specified, words and expressions defined in the Original Deed and not otherwise defined or amended in this Supplemental Deed shall have the same meanings when used in this Supplemental Deed.
- 1.2 Unless otherwise specified, the principles of interpretation in clause 1 of the Original Deed shall also apply to this Supplemental Deed.

#### 2. Amendment and Restatement of the Original Deed

The Original Deed shall be amended by deleting in its entirety and replaced by the amended and restated deed of set-off in the form set out in the **Schedule** (the "**Amended and Restated Deed**"). Simultaneously upon execution of this Supplemental Deed, the Parties undertake to execute the Amended and Restated Deed.

#### 3. Effectiveness of the Amendment and Restatement

- 3.1 Upon the execution of the Amended and Restated Deed by the Parties, the amendment and restatement provided for in this Supplemental Deed as set forth in the Amended and Restated Deed shall take retrospective effect from 29 January 2021 (i.e. the date of the Original Deed).
- 3.2 Upon the execution of this Supplemental Deed by the Parties, the rights and obligations of the Parties shall be governed by the Amended and Restated Deed with retrospective effect from 29 January 2021.

## 4. Incorporation of Terms

The provisions of clause 6, 7 and 9 of the Original Deed shall be incorporated into this Supplemental Deed and shall have full force and effect as if set out in full in this Supplemental Deed except that references in those clauses to "this Deed" shall become references to this Supplemental Deed.

## 5. Governing Law and Dispute Resolution

## 5.1 Governing law

This Supplemental 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.

## 5.2 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 Supplemental 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.

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

A person who is not a party to this Supplemental 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 Supplemental Deed.

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

Schedule

The Amended and Restated Deed

## AMENDED AND RESTATED DEED OF SET-OFF

dated

#### **16 FEBRUARY 2021**

by

#### LAU TING as Lender

and

#### CHINA LOTSYNERGY LIMITED as Borrower

and

## CHINA LOTSYNERGY HOLDINGS LIMITED as Issuer



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

## Amended and Restated Deed of Set-off

**This Deed** is executed on 16 February 2021 with retrospective effect from 29 January 2021 ("**Effective Date**")

## 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 Rights Issue on the basis of two Rights Shares for every existing Share held by the Shareholders on the Record Date. A copy of the publication version of the announcement in relation to the Rights Issue (the "Announcement") is annexed to this Deed as Annexure 2.
- D. In connection with the Rights Issue, 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 Rights Shares to be provisionally allotted to her in respect of the Shares beneficially owned by her (the "Entitlement Shares"); and
  - b. such number of excess Rights Shares (the "**Relevant Excess Shares**") which is no less than 616,981,126 Rights Shares but no more than the difference between (A) the maximum number of Rights Shares and (B) all Entitlement Shares

upon the terms and subject to the conditions of the Rights Issue 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 aggregate 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 Rights Issue.

"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.

"**Record Date**" means Tuesday, 13 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 Rights Issue are to be determined;

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

"Rights Issue Completion" means the completion of the Rights Issue.

"Rights Issue Completion Date" means the date of the Rights Issue Completion.

"Rights Share(s)" means the new Share(s) to be allotted and issued under the Rights Issue.

"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 subject to the Rights Issue 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 Rights Issue 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 Rights Issue Completion Date with effect from the Rights Issue 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:
  - the set-off of the remaining amount of the Loan owed by the Borrower as at the Rights Issue Completion Date after the set-off pursuant to Clause 2(b) against the equivalent amount of the Relevant Excess Subscription Price; and
  - 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) (if any);
- (d) on the Rights Issue 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 without interest 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 Rights Issue 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 Rights Issue Completion Date, in cash to the Lender;
- (iv) if the subscription price in respect of the Allocated Relevant Excess Shares is <u>less than</u> 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 Rights Issue 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 Rights Issue 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.

# 9.5 **Effective Date**

This Deed, upon execution by all parties hereto, shall take retrospective effect on the Effective Date.

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:

\_\_\_\_\_ L.S.

Witness Name: Address: Occupation:

Notice details:

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

)

) )

)

)

Fax:

# 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

)

)

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)

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))))

Fax:

Attention:

#### 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:

The Loan Agreement and the Supplemental Agreement

The Announcement

Irrevocable Undertaking

#### Execution

# THE LENDER SIGNED, SEALED and ) DELIVERED as a Deed ) by LAU TING ) in the presence of: Witness Name: Wollid Hig Warg Address: 3 coll, office Tower, Convention Plaza, Wanchai, HK Occupation: Campung Secretary

Notice details:

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

Fax:



#### **THE BORROWER**

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

Print name: CHAN TAN NA DONNA Director

Print name: Director/Secretary

Notice details:

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

)

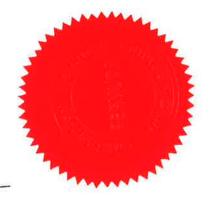
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) ) )

))

Fax:

Attention:



THE ISSUER

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

TAN NA DONNA Print name: (HAN Director Print name: WONG Hier Wong

Director/Secretary

Notice details:

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

Fax:

Attention:

#### AMENDED AND RESTATED DEED OF SET-OFF

dated

#### **16 FEBRUARY 2021**

by

#### LAU TING as Lender

and

#### CHINA LOTSYNERGY LIMITED as Borrower

and

#### CHINA LOTSYNERGY HOLDINGS LIMITED as Issuer



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

#### Amended and Restated Deed of Set-off

**This Deed** is executed on 16 February 2021 with retrospective effect from 29 January 2021 ("**Effective Date**")

#### 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 Rights Issue on the basis of two Rights 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 Rights Issue (the "Announcement") is annexed to this Deed as Annexure 2.
- D. In connection with the Rights Issue, 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 Rights Shares to be provisionally allotted to her in respect of the Shares beneficially owned by her (the "**Entitlement Shares**"); and
  - b. such number of excess Rights Shares (the "**Relevant Excess Shares**") which is no less than 616,981,126 Rights Shares but no more than the difference between (A) the maximum number of Rights Shares and (B) all Entitlement Shares

upon the terms and subject to the conditions of the Rights Issue 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 aggregate 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 Rights Issue.

"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.

"**Record Date**" means Tuesday, 13 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 Rights Issue are to be determined;

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

"Rights Issue Completion" means the completion of the Rights Issue.

"Rights Issue Completion Date" means the date of the Rights Issue Completion.

"**Rights Share**(s)" means the new Share(s) to be allotted and issued under the Rights Issue.

"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 subject to the Rights Issue 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 Rights Issue 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 Rights Issue Completion Date with effect from the Rights Issue 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:
  - the set-off of the remaining amount of the Loan owed by the Borrower as at the Rights Issue Completion Date after the set-off pursuant to Clause 2(b) against the equivalent amount of the Relevant Excess Subscription Price; and
  - 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) (if any);
- (d) on the Rights Issue 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 without interest 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 Rights Issue 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 Rights Issue Completion Date, in cash to the Lender;
- (iv) if the subscription price in respect of the Allocated Relevant Excess Shares is <u>less than</u> 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 Rights Issue 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 Rights Issue 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.

#### 9.5 **Effective Date**

This Deed, upon execution by all parties hereto, shall take retrospective effect on the Effective Date.

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: WONG Hiu Wong Address: 3308, 055ice Tower, Convention Plaza, Wanchai, Ak Occupation: Company Secretary

j,

Notice details:

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

Fax:



**THE BORROWER** 

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

Print name: CHAN THN NA DONNA Director

Print name: Director/Secretary

#### Notice details:

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

))

))))))

Fax:

Attention:



THE ISSUER

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

Print name: CHAN TAN NA DONNA Director

Print name: Wo N4 Hiu Wory Director/Secretary

Notice details:

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

Fax:

Attention:

The Loan Agreement and the Supplemental Agreement

# 借款协议

本借款协议(以下称为"本协议")由下列双方于 2020 年 1 月 21 日签署: (1) 刘婷(香港身份证号码: K808252(9),以下称为"贷款方");

(2) **华彩资源有限公司**(一间于香港成立的公司,以下称为"借款方")。 贷款方和借款方以下统称为"双方",单称为"一方"。

鉴于:

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借款方拟根据本协议之条款向贷款方借款,而贷款方拟同意该项借款,甲乙双方 达成协议如下:

# 1. 定义

除非本协议上下文另有规定,下列术语应具体为下文所规定的含义。

- 1.1 "借款",指贷款方依据本协议向借款方提供的借款共计港币 5000 万元。
- 1.2 放款日,指本协议第2.3条规定之借款放款日。
- 1.3 **放款通知书,**指根据本协议第 2.3.1 条规定借款方通知贷款方放款之通知 书。
- 1.4 还款日,受限于本协议第4.2条规定,指借款期限到期日。
- 1.5 "违约事件",指本协议第5条规定的任一违约事件。
- 2. 借款

# 2.1 借款金额、期限

- 2.1.1 根据本协议,贷款方向借款方提供的借款总额为港币 5000 万元。
- 2.1.2 根据本协议,贷款方根据借款方所送达之放款通知书,于其要求之放款 日向借款方放款,惟放款日不得迟于本协议后之 30 天内。
- 2.1.3 借款期限为一年,自放款日起计算。

2.1.4 借款方无法就借款提供任何抵押品。

2.2 利息

借款的利率按照年利率 9.5%计算,利息按月支付。如借款方未能于还款日偿还 所欠款项,贷款方将有权向借款方就所欠款项收取违约年利息 5%。

2.3 放款

2.3.1 贷款方将在放款通知书所要求并获贷款方同意的放款日日期,将借款通过 电汇方式汇至借款方指定账户。

2.3.2 借款方应当在收到上述款项后向贷款方签署确认书以确认收悉该等款项。

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3. 陈述和保证

借款方向贷款方陈述和保证如下:

- (a) 其有权签订本协议并履行本协议项下的义务;
- (b) 其签署、送达和履行本协议不会构成或导致:(i)违背或违反任何适用的法律法规;(ii)违背或违反任何对其有约束力的现有协议、租约、执照、批准、许可、抵押、安排或其他义务,或者构成对上述文件的违约。

#### 4. 还款

4.1 双方在此确认并同意,借款方应于还款日一次性归还上述借款本金。

4.2 尽管与还款日之条文及本协议中其他相关条文相反规定,贷款人保留权利, 可于放款日之3个月后至还款日之任何时间内,以书面要求借款人按照贷款人指 示的方式实时偿还未清债务或其任何部分。

4.3 借款方可于还款日之1个月前,书面要求贷款方将借款延期。贷款方有权决定是否延期。

# 5. 违约

- 5.1 本条下述事项构成借款方的违约事件:
  - (a) 借款方未能按双方的约定履行其责任或义务;
  - (b) 借款方在本协议第 3 条所作的任何陈述或保证有实质性的误导或错误;
  - (c) 借款方违反本协议项下的任何承诺或任何条款;
  - (d) 借款方不能偿还一般债务或其他欠债;
  - (e) 借款方未能有效存续而被终止、清算或解散。
- 5.2 除非上述第 5.1 条所列的违约事件已以令贷款方满意的方式得到解决,否则贷款方可在违约事件发生时或发生后的任何时间以书面形式向借款方发出违约通知,宣布本协议项下的借款和其利息以及本协议项下所有其他孳生或拖欠的款项立即到期,要求借款方在贷款方规定的期限内还款付息、履行其义务、采取补救措施并赔偿由其违约给贷款方造成的经济损失。

#### 6. 适用法律

本协议应受香港法律管辖并按香港法律解释。

7. 管辖权

双方同意,因本协议引起的或与本协议有关的任何法律诉讼或程序可在香港的法院提起,并且服从该等法院的非专属管辖权。

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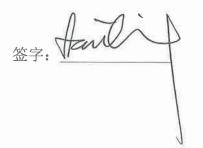
- 8. 其他事项
- 8.1 本协议用中文作成,正本一式两(2)份,双方各执一份,每份正本具有同等法律效力。
- 8.2 本协议任何条款赋予双方的任何权利、权力和补救是累积的,并不能排除 该方依据法律规定及本协议项下其他条款所享有的其他任何权利、权力或 补救,且一方对其权利、权力和补救的行使并不排除该方对其享有的其他 权利、权力和补救的行使。
- 8.3 任何一方未行使或延迟行使本协议项下的一项权利或救济时,将不构成其 对该权利或救济的放弃,也不构成其对任何其他权利或救济的放弃,并且 任何一方单独或部分行使本协议项下的权利或救济时,也不妨碍其进一步 行使该权利或救济,或行使任何其他权利或救济。
- 8.4 本协议各条的标题仅为索引而设,在任何情况下,该等标题不得用于或影 响对本协议条文的解释。
- 8.5 本协议的每一条款均可分割且独立于其他每一条款,如果在任何时候本协议的任何一条或多条条款成为无效、不合法或不能执行,本协议其他条款的有效性、合法性和可执行性并不因此而受到影响。如出现本协议的任何一条或多条条款无效、不合法或不能执行的情况,各方应真诚地进行磋商,以商定以各方均感满意的条款代替无效,不合法或无法执行的条款。
- 8.6 本协议一经签署即取代双方之前就同一主题签署的任何其他法律文件。本 协议的任何修改、补充必须以书面形式进行,并由本协议双方适当签署后 方能生效,并且对本协议的修改或补充约定优先于本协议的约定。
- 8.7 未经贷款方事先书面同意,借款方不得向任何第三方转让其于本协议下的 任何权利及/或义务。贷款方则有权自行决定是否将其在本协议下的权利及 /或义务转让给其他第三方,而无须事先取得借款方同意。
- 8.8 本协议对双方的合法受让人或继承人均具有约束力。
- 8.9 本协议自双方签署之日起生效。

# 【签署页】

兹此为证,本借款协议由双方于文首之日期签署。

刘婷

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华彩资源有限公司

	For and on behalf of China LotSynergy Limit 華彩資源有限公司	L
签字:	Authorised Signature(s)	
姓名:	P束丹文那	
职务:	古事	

# 借款协议 补充协议

本借款协议(以下称为"本协议")由下列双方于 2021 年 1 月 Zo 日签署:

(1) 刘婷(香港身份证号码: K808252(9),以下称为"贷款方");

(2) 华彩资源有限公司(一间于香港成立的公司,以下称为"借款方")。 贷款方和借款方以下统称为"双方",单称为"一方"。

# 1. 鉴于

- 1.1 双方于 2020 年 1 月 21 日签订一份借款协议(「该协议」),双方同意 由贷款方向借款方提供借款总额港币 5000 万元。借款期限为一年, 自放款日起计算。借款的利率按照年利率 9.5%计算,利息按月支付。
- 1.2 除非本协议上下文另有规定,本协议所用词汇具有该协议所赋予的涵义。
- 1.3 于本协议日,经双方友好协商,现双方同意如下条款:
- 2. 延长借款
  - 2.1 双方于本协议签订同意,该协议项下借款总额港币 5000 万元之借款 期限,延长一年,至 2022 年 1 月 20 日到期。
  - 2.2 除上文第 2.1 条之修订外,该协议项下所有条款维持不变及继续有效。
- 3. 其他事项
  - 3.1 本协议用中文作成,正本一式两(2)份,双方各执一份,每份正本 具有同等法律效力。
  - 3.2 本协议任何条款赋予双方的任何权利、权力和补救是累积的,并不能 排除该方依据法律规定及本协议项下其他条款所享有的其他任何权 利、权力或补救,且一方对其权利、权力和补救的行使并不排除该方 对其享有的其他权利、权力和补救的行使。
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其他条款的有效性、合法性和可执行性并不因此而受到影响。如出现 本协议的任何一条或多条条款无效、不合法或不能执行的情况,各方 应真诚地进行磋商,以商定以各方均感满意的条款代替无效,不合法 或无法执行的条款。

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刘婷

签字:

华彩资源有限公司

For and on behalf of China LotSynergy Limited 業彩資源有限公司 son 签字: ..... 姓名: CHAN Tan Mar Donna (s) 职务: Director

The Announcement

14.58(1) Note 5 to 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 R13.52 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.

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.



13.51A 13.28(1)



華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

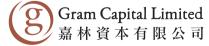
# (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF 7.19(3) TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD **ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;** (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; (III) CONNECTED TRANSACTION IN RELATION TO THE SET-OFF; (IV) APPLICATION FOR WHITEWASH WAIVER; (V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (VI) RESUMPTION OF TRADING

[Financial adviser to the Company]



[Placing Agent] 金 融控 股有限公 CORNERSTONE FINANCIAL HOLDINGS LIMITED

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



# **PROPOSED RIGHTS ISSUE**

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

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

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

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

# THE IRREVOCABLE UNDERTAKING BY MS. LAU

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

# PLACING

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

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

# **CONNECTED TRANSACTION IN RELATION TO THE SET-OFF**

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

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

# LISTING RULES IMPLICATIONS

# The Rights Issue

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

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

# The Placing

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

# The Set-Off

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

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

# TAKEOVERS CODE IMPLICATIONS

# The Rights Issue and Whitewash Waiver

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

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

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

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has applied for, and successfully been allotted, the Undertaken Shares; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [52.75]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

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

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

#### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

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

#### **GENERAL**

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

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

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

#### **RESUMPTION OF TRADING**

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

#### PROPOSED <u>RIGHTS ISSUE</u>

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

#### **<u>Rights Issue</u>** Statistics

Basis of the <u>Rights</u> <u>Issue</u>	:	Two (2) <u>Rights Shares</u> for every one (1) existing Share held by the Shareholders as at [5:00] p.m. on the Record Date	TC3.5(a) A1B18(2) 13.28(4)
Subscription Price	:	HK\$0.10 per <u>Rights</u> Share	
Number of Shares in issue as at the date of this announcement	:	[1,029,480,733] Shares	13.28(2)
Maximum number of <u>Rights</u> Shares	:	[2,058,961,466] <u>Rights</u> Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date), representing (i) [200.00]% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately [66.67]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion; or	
		[2,207,541,466] <u>Rights</u> Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date), representing (i) approximately [214.43]% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately [66.67]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.	SFCB2Q1
Number of <u>Rights</u> Shares <u>being</u> <u>undertaken by Ms.</u> Lau	:	[800,000,000] <u>Rights</u> Shares	
Gross proceeds to be raised from the Rights Issue		From approximately HK\$80.00 million to approximately HK\$[220,75] million	

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

#### The Subscription Price

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The <u>Subscription</u> Price is HK\$0.10 per <u>Rights</u> Share, which shall be payable in full by a <sup>13.28(4)</sup> Qualifying Shareholder upon <u>acceptance of the relevant provisional allotment of the Rights</u> <u>Shares and, where applicable, application for the excess Rights Shares under the Rights</u> <u>Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The</u> <u>Subscription Price represents:</u>

- (i) [a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as 13.28(8) quoted on the Stock Exchange on [29 January] 2021, being the date on which the <u>Subscription Price</u> is fixed;]
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.89% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.149;
- (iv) a discount of approximately 40.12% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.167;
- (v) a discount of approximately 43.18% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (vi) a discount of approximately 15.97% to the theoretical ex-entitlement price of approximately HK\$0.119 per Share based on the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the <u>Rights</u> Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.93% represented by the theoretical diluted price of approximately HK\$0.119 to the benchmarked price of approximately HK\$[0.156] per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.143 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date on which the <u>Subscription</u> Price is fixed of HK\$[0.156] per Share);
- (viii) a discount of approximately [56.33]% to the consolidated net asset value per Share sfcB1Q3 attributable to the Shareholders as at 31 December 2019 of approximately HK\$[0.229] per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$[235,583,000] as at 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019 and [1,029,480,733] Shares in issue as at the date of this announcement; and
- (ix) a discount of approximately [37.11]% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$[0.159] per Share calculated based on the unaudited consolidated net assets of the Group

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

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

The aggregate par value of the <u>Rights</u> Shares will, depending on the level of subscription of 13.28(2) the <u>Rights</u> Shares, range from HK\$[20,000,000] to HK\$[55,188,536.65].

#### Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed 7.19(3) on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

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

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

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

#### Conditions of the **Rights Issue**

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[The <u>Rights Issue</u> is conditional on each of the following conditions being fulfilled:

- (i) the grant by the Executive of the Whitewash Waiver on or before the Posting Date and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way sfcB2Q3 of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the <u>Rights Issue</u> 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 <u>Rights Issue</u>, including the allotment and issue of the Rights Shares in their nilpaid and fully paid forms; and
  - (b) the Set-Off;
- (iii) the passing by at least 75% of the votes that are cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the Whitewash Waiver;
- (iv) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the Increase in Authorised Share Capital;

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- (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 <u>Rights</u> Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (viii) the compliance by Ms. Lau with her obligations under the Irrevocable Undertaking prior SFCBIQ6 to the Latest Time for Acceptance and the Irrevocable Undertaking remaining in full force and effect; and
- (ix) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda.

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

### Status of the <u>Rights</u> Shares

The <u>Rights</u> Shares, when issued and fully paid, will be free from all liens, charges, AIBI8(2) 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 <u>Rights</u> Shares.

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

To qualify for the <u>Rights Issue</u>, a Shareholder must be registered as a member of the 13.28(7) Company on the Record Date and a Qualifying Shareholder.

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

#### Basis of provisional allotment

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

#### Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of two (2) Rights Shares for every one (1) existing AIBI8(2) Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

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

#### **Rights of Overseas Shareholders**

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

If there are Overseas Shareholders at 5:00 p.m. on the Record Date, the Overseas Shareholders may not be eligible to take part in the <u>Rights Issue</u> as explained below. The Board will make enquiries regarding the feasibility of extending the <u>Rights Issue</u> 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 <u>Rights</u> 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 <u>Rights Issue</u> will not be <u>extended</u> to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

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

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

Overseas Shareholders should note that they may or may not be entitled to participate in the <u>Rights Issue</u>, 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 <u>Rights</u> Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

#### Application for excess <u>Rights</u> Shares

Qualifying Shareholders shall be entitled to, by way of excess application, apply for the 7.21(1)(a) excess <u>Rights</u> Shares, which comprise (i) any unsold entitlements to the <u>Rights</u> Shares of the <u>Non-Qualifying</u> Shareholders; and (ii) any nil-paid <u>Rights</u> Shares provisionally allotted but not accepted by the <u>Qualifying</u> Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid <u>Rights</u> Shares.

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

The Directors will allocate any <u>Rights</u> Shares at their discretion on a fair and equitable basis 7.21(3)(a) in accordance with the principle that the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for them on a pro-rata basis with reference to the number of excess Rights Shares applied for, but no reference will be made to the Rights Shares subscribed through applications by PALs and no preference will be given to toppingup odd lot holdings to whole board lot holdings. If the aggregate number of <u>Rights</u> Shares available for excess application is greater than the aggregate number of excess <u>Rights</u> Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess <u>Rights</u> 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 <u>Rigths</u> 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 <u>Rigths</u> Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to [4:30] p.m. on [Wednesday, 7 April] 2021. If so, they must lodge all necessary documents with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by [4:30] p.m. on [Wednesday, 7 April] 2021. The register of members of the Company will be closed from [Thursday, 8 April] 2021 to [Tuesday, 13 April] 2021 (both days inclusive).

#### Share certificates and refund cheques for the <u>Rights</u> Shares

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

#### Application for listing and dealing arrangements of the <u>Rights</u> Shares

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

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

A1B18(2)

#### **Rights Shares will be eligible for admission into CCASS**

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

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

#### THE IRREVOCABLE UNDERTAKING BY MS. LAU

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

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

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

- (i) promptly (and in any event prior to the Posting Date) apply to the Executive for the Whitewash Waiver; and
- (ii) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall, at or before the Latest Time for Acceptance, accept and pay for, or procure the acceptance and payment for, no less than [616,981,126] excess Rights Shares, which represents the difference between (1) the Undertaken Shares; and (2) all Entitlement Shares provisionally allotted to her, HKEXB1Q4 and no more than such number of excess Rights Shares which represents the difference between (1) the maximum number of Rights Shares available for subscription under the Rights Issue (as stated in the paragraph headed "Rights Issue Statistics" under the section headed "Proposed Rights Issue" in this announcement); and (2) all Entitlement Shares provisionally allotted to her.

A1B18(3) 7.19(4)

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

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

SFCB1Q14

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

#### PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

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

#### **Placing Agreement**

The principal terms of the Placing Agreement are summarised below:

Placing Agent	:	Cornerstone Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities	13.28(10)
		[The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties and independent from, and not acting in concert with, Ms. Lau.	SFCB1Q13
Placing commission	:	[1.0]% of the gross proceeds from the subscription of the Placing Shares actually placed by the Placing Agent under the Placing Agreement	
Placing Period	:	The Placing Period shall commence on [Friday, 30 April] 2021, and end on the Placing End Date (i.e. [Monday, 3 May] 2021 under the expected timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.	SFCB1Q11, 12

Placees : the Placing Agent shall use its reasonable endeavours to sFCB2Q4 ensure that (i) the placees procured by it (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and independent sFCB3Q1 from, and not acting in concert with, Ms. Lau; and (ii) no placee shall become a substantial Shareholder and any party acting in concert with Ms. Lau immediately following the Placing.

#### **Placing Shares**

The number of Placing Shares shall be equivalent to the number of Untaken Shares, being  $_{13.28(2)}$  the difference between (i) the total number of <u>Rights</u> Shares available for subscription as at the Record Date; and (ii) the total number of <u>Rights</u> Shares taken up by Qualifying Shareholders whether under the <u>PAL(s)</u> or EAF(s).

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

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

#### **Placing Price**

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

- (i) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as 13.28(8) quoted on the Stock Exchange on [29 January] 2021, being the date on which the <u>Subscription</u> Price is fixed;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;

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

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

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

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

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

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

#### **Status of the Placing Shares**

The Placing Shares, when issued and fully paid, will be free from all liens, charges, AIB18(2) 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 <u>issue</u> of the Placing Shares.

#### Conditions <u>of</u> the Placing

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

- (i) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Placing Agreement (including the Specific Mandate);
- (ii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Placing Shares (subject to customary conditions) and such approval not having been withdrawn or revoked; and
- (iii) the <u>Rights Issue</u> becoming unconditional.
- None of the above conditions <u>of</u> the Placing is capable of being waived in whole or in part by the Placing Agent or the Company.

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

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

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

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

#### **Completion of the Placing**

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

#### CONNECTED TRANSACTION IN RELATION TO THE SET-OFF

#### The Set-Off

Pursuant to the Amended Loan Agreement, Ms. Lau had advanced to the Borrower the Shareholder's Loan in the principal amount of HK\$50,000,000. The Shareholder's Loan was <sup>14,58(6)</sup> used for repayment of instalment payments under a mortgage loan and payment of office expenses, including salaries of the Group's staff for the period from January 2020 to October 2020. As at the date of this announcement, the entire principal amount of the Shareholder's Loan is unsecured, bearing an interest of 9.5% per annum and with a term of two years.

<u>On 29 January 2021, the Company, the Borrower and Ms. Lau entered into the Set-Off</u> 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 <u>Rights Issue</u> <u>Completion</u> Date on a dollar-to-dollar basis against an equivalent amount of the <u>aggregated</u> <u>Subscription Price of (i) all Entitlement Shares; and (ii) the Relevant Excess Shares</u> allocated to Ms. Lau. The Set-Off will be conditional upon the <u>Rights Issue</u> becoming unconditional pursuant to the terms and conditions as set out in the Prospectus.

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

Subject to (i) the compliance of the set-off arrangement under the Set-Off Deed and (ii) the entire principal amount of the Shareholder's Loan being offset against the subscription price of the relevant <u>Rights</u> 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 <u>Rights Issue</u> <u>Completion</u>.

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

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

- (i) in the event that Ms. Lau validly applies for, and is allocated, all Entitlement Shares and [316,981,126] excess <u>Rights</u> 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 <u>provisional allotments</u> under the <u>Rights</u> <u>Issue</u>, the Set-Off Amount will be at the minimum of HK\$[18,301,887.4].

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

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery, and continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

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

#### **Reasons for and Benefits of the Set-Off**

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

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

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

14.58(8)

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

## **REASONS FOR THE <u>RIGHTS ISSUE</u>**, THE PLACING AND THE SET-OFF AND THE USE OF PROCEEDS

7.24A 13.28(6)

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

The Group has recorded net loss since 2015, and as disclosed in the 2020 Interim Report, for the six months ended 30 June 2020, the Group recorded an unaudited net loss of approximately HK\$75.2 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. However, as at [30 June 2020], the Company had cash and bank balances of only HK\$[53.91] million.

As at the date of this announcement, the Group's current liabilities mainly included (i) the unsecured Shareholder's Loan with a total outstanding principal amount of HK\$50,000,000; (ii) the New Option 1 Bonds in the aggregate principal amount of HK148,580,000 where the second instalment of repayment of approximately HK\$[26.22] million will be due in May 2021; and (iii) a bank loan with a total outstanding amount of HK\$[208.50] million which will fall due on 30 June 2021. The Company's cash and bank balance is insufficient for meeting its imminent cash flow demand in view of the aforementioned liabilities.

In light of the above, the Company intends to raise funds by way of the <u>Rights Issue</u>. Assuming a maximum of [2,207,541,466] <u>Rights</u> Shares and a minimum of [800,000,000] <u>Rights</u> Shares will be issued, the estimated gross proceeds of the <u>Rights Issue</u> will range from a maximum of approximately HK\$[220,75] million to a minimum of approximately HK\$[80.0] million. The estimated expenses in relation to the <u>Rights Issue</u> will amount to approximately HK\$[<u>6.5</u>] million and the estimated net proceeds of the <u>Rights Issue</u> will range from a maximum of approximately HK\$[<u>214.25</u>] million to a minimum of approximately HK\$[<u>73.5</u>] million (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date and only Ms. Lau <u>subscribes for the Undertaken Shares</u> under the Irrevocable Undertaking). The net subscription price per <u>Rights</u> Share is expected to be a maximum of approximately HK\$[<u>0.097</u>] and a minimum of approximately HK\$[<u>0.092</u>].

In the event that the maximum net proceeds of approximately HK\$[214.25] million is raised, <sup>13.28(3)</sup> (i) approximately [42.0]% will be used towards the partial repayment of the New Option 1 Bonds; (ii) approximately [14.0]% will be used towards the partial repayment of an existing bank borrowing (including interest) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group; (iii) approximately [23.3]% will be used towards the Set-Off; and (iv) approximately [20.7]% will be used towards the general working capital of the Group, respectively. As at the date of this announcement, the outstanding principal amount of the New Option 1 HKExB2Q2 Bonds is HK\$[148,580,000], which is convertible into [74,290,000] Shares upon full conversion at the current conversion price of HK\$2.00. Part of the New Option 1 Bonds in the principal amount of approximately HK\$[26,220,000] will be due in May 2021, and the remaining outstanding principal amount of HK\$[122,360,000] will be payable on the New Option 1 Bonds Maturity Date, i.e. 7 November 2021. The New Option 1 Bonds carry an interest of 8.5% per annum which is payable in arrear [on the New Option 1 Bonds Maturity Date].

Details of the aforesaid existing bank borrowing to be repaid by the Group (including the HKExB2Q3 Borrower, the interest rate, maturity date and outstanding balance) are as follows:

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

The Company has considered alternative fundraising means. As regards debt financing, the HKEx B1Q2(i) Company has approached various different financial institutions, most of which provided banking facilities proposals ranging from [one] to [twenty] years [with an interest rate of HIBOR plus a fixed rate] to refinance the Group's current liabilities, but the Company has found it challenging to obtain approval from such financial institutions unless the Supreme People's Court of the PRC makes a judgment in respect of a civil litigation filed by HKEXB2Q5 Dongguan Tianyi Electronic Company Limited, a subsidiary of the Company, in the PRC in favour of the Group in relation to the payment for continued use of terminals for China Welfare Lottery Video Lottery - VLT ("Welfare VLT") by Beijing China Lottery Online Technology Company Limited ("CLO") after expiry of the relevant supply contract and awards damages of approximately RMB[1.36] billion. The potential judgment sum is expected to have a significant impact on the financial position and repayment ability of the Group. Details of such civil litigation in the PRC are set out on pages 20 and 26 of the 2020 Interim Report. Given the pending outcome of the aforementioned litigation and the current financial market conditions in Hong Kong, the Board is of the view that it would be difficult for the Group to obtain sufficient debt financing in a timely manner.

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

The <u>Rights Issue</u> 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 <u>Rights Issue</u>. After considering (i) the benefits and cost of the <u>alternative fundraising means</u>; and (ii) the importance of the fundraising exercise to the Company to satisfy its pressing financial needs, the Directors consider that the <u>Rights Issue</u>, together with the Placing, are in the interests of the Company and the Shareholders as a whole.

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

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

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

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

HKEx B1Q1(iii)(iv) HKExB2Q1

HKEx B1Q1(ii) HKEx B1Q5

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

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

13.28(9)

## EXPECTED TIMETABLE FOR THE <u>RIGHTS ISSUE</u> AND THE PLACING <u>[Note to</u> <u>LF: Please review and confirm]</u>

The expected timetable for the proposed <u>Rights Issue</u> and the Placing is set out below:

I	Despatch date of the Circular, proxy form and notice of the SGM [Tuesday, 9 March] 2021	SFCB2Q6
	Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM 4:30 p.m. on [Tuesday, 23 March] 2021	
	Closure of register of members of the Company to determine entitlement to attend and vote at the SGM [Wednesday, 24 March] 2021 to [Tuesday, 30 March] 2021 (both days inclusive)	
I	Latest time for lodging proxy forms for the SGM [11:00 a.m.] on [Sunday, 28 March] 2021	
I	Record date for attending and voting at the SGM [Tuesday, 30 March] 2021	
	SGM	
	Announcement of poll results of the SGM [Tuesday, 30 March] 2021	
	Re-opening of the register of members of the Company [Wednesday, 31 March] 2021	
	Last day of dealings in the Shares on a cum-entitlement basis [Wednesday, 31 March] 2021	
	First day of dealings in the Shares on an ex-entitlement basis	
	Latest time for lodging transfers of the Shares in order for the transferees to qualify for the <u>Rights Issue</u>	
	Closure of register of members to determine the entitlements to the <u>Rights Issue</u>	A1B18(2)

Record Date for the <u>Rights Issue</u> [ <u>Tuesday, 13</u> April] 2021	
Re-opening of the register of members of the Company [Wednesday, 14 April] 2021	
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only) [Wednesday, 14 April] 2021	
First day of dealings in nil-paid Rights Shares [Friday, 16 April] 2021	
Latest time for splitting nil-paid Rights Shares 4:30 p.m. on [Tuesday, 20 April] 2021	
Last day of dealings in nil-paid Rights Shares [Friday, 23 April] 2021	
Latest Time for Acceptance	HKExB1Q6 [7.20]
Announcement of the number of the Untaken Shares subject to the Placing [Thursday, 29 April] 2021	
Commencement of the Placing Period (if there are any Untaken Shares available)	
Placing End Date for placing the Placing Shares	A1B18(2)
Latest Time for the <u>Rights Issue</u> to become unconditional and the Placing Long Stop Date 4:00 p.m. on [ <u>Tuesday, 4 May</u> ] 2021	
<u>Rights Issue Settlement Date</u> and Placing completion date [ <u>Tuesday</u> , 4 <u>May</u> ] 2021	
Announcement of the results of the <u>Rights Issue</u> , the application for excess <u>Rights</u> Shares and the Placing [ <u>Tuesday, 4 May</u> ] 2021	HKExB1Q6
Despatch of share certificates for the <u>Rights</u> Shares <u>and/or refund cheques</u>	×
First day of dealings in the fully-paid <u>Rights</u> Shares, and if applicable, the Placing Shares 9:00 a.m. on [ <u>Thursday, 6</u> May] 2021	

Notes:

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

#### Effect of bad weather on the <u>Latest Time for Acceptance</u>

I

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

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

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

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

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

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

	Shareholder	As at the date announcem Number of Shares		Immediately up <u>Rights Issue</u> Co assuming full av by all Quali Shareholders un <u>Rights Iss</u> Number of Shares	ompletion cceptance ifying nder the	Immediately the <u>Rights</u> Completion assu no <u>subscription</u> Qualifying Shar (other than M under the <u>Righ</u> and (b) all the <u>Rights Share</u> subscribed <u>fu</u> Ms. Lat Number of Shares	Issue ming (a) by the reholders s. Lau) ts Issue; e excess s are or by	Immediately the <u>Rights</u> Completion assu no <u>subscription</u> Qualifying Shar (other than M under the <u>Righ</u> (b) Ms. Lau <u>su</u> for the <u>Unde</u> <u>Shares</u> ; and (c) Untaken Shar placed to Inde Third Parties u Placing Number of Shares	Issue ming (a) by the reholders s. Lau) ts Issue; bscribes rtaken all the es are pendent nder the	Immediately u Rights Issue Co assuming (a subscription Qualifying Shau (other than M under the Righ (b) Ms. Lau su for the Under Shares pursuan Irrevocable Und and (c) no Ind Third Parties the Untaken Number of Shares	ompletion a) no by the reholders [s. Lau) (ts Issue; ubscribes ertaken tt to the lertaking; ependent take up
Ι	Ms. Lau <sup>(Note 1)</sup> Parties acting in concert with Ms. Lau Hang Sing Overseas Limited $^{(Note 2)}$ Strong Purpose Corporation $^{(Note 3)}$ Glory Add Limited $^{(Note 4)}$ Mr. Chan Shing $^{(Note 5)}$ Ms. Chan $^{(Note 6)}$	[91,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[8.89] [0.73] [1.34] [4.98] [2.36] [1.54]	[274,528,311] [22,515,861] [41,320,662] [153,747,777] [75,745,926] [47,808,000]	[8.89] [0.73] [1.34] [4.98] [2.36] [1.54]	[2,150,470,903] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[69.63] [0.24] [0.45] [1.66] [0.79] [0.51]	[ <u>89</u> 1,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[28.87] [0.24] [0.45] [1.66] [0.79] [0.51]	[ <u>89</u> 1,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[48.73] [0.41] [0.75] [2.80] [1.33] [0.87]
	Sub-total of Ms. Lau and parties acting in concert with the her Other Directors <sup>(Note 7)</sup> Mr. Wu Jingwei <sup>(Note 8)</sup> Mr. Li Zi Kui <sup>(Note 8)</sup> Ms. Zhu Xinxin <sup>(Note 8)</sup> Mr. Huang Shenglan <sup>(Note 8)</sup> Mr. Cui Shuming <sup>(Note 8)</sup>	[204,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[19.84] [0.80] [0.27] [0.18] [0.01] [0.02]	[612,666,537] [24,660,000] [8,400,000] [5,550,000] [330,000] [600,000]	[19.84] [0.80] [0.27] [0.18] [0.01] [0.02]	[2,263,183,645] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[73.28] [0.27] [0.09] [0.06] [0.00] [0.01]	[1,004,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[32.52] [0.27] [0.09] [0.06] [0.00] [0.01]	[1,004,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[54.89] [0.45] [0.15] [0.10] [0.01] [0.01]
	Sub-total	[13,180,000]	[1.28]	[39,540,000]	[1.28]	[13,180,000]	[0.43]	[13,180,000]	[0.43]	[13,180,000]	[0.72]
	Independent placees Other public Shareholders	[812,078,554]	[78.88]	[2,436,235,662]	[78.88]	[812,078,554]	[26.29]	[1,258,961,466] [812,078,554]	[40.76] [26.29]	[812,078,554]	[44.39]
I	Total	[1,029,480,733]	[100.00]	[3,088,442,199]	[100.00]	[3,088,442,199]	[100.00]	[3,088,442,199]	[100.00]	[1,829,480,733]	[100.00]

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

	Shareholder	As at the date announcem	ent	Immediately up <u>Rights Issue Co</u> i assuming full ac by all Qualit Shareholders un <u>Rights Iss</u>	<u>mpletion</u> ceptance ying der the u <u>e</u>	Immediately up Rights Issue Co assuming (a <u>subscription</u> b Qualifying Shar (other than Ms under the <u>Right</u> and (b) all the <u>Rights Shares</u> subscribed <u>for</u> Lau	mpletion ) no by the echolders s. Lau) excess were by Ms.	Immediately up <u>Rights Issue Co</u> assuming (a <u>subscription</u> 1 Qualifying Shar (other than M under the <u>Righ</u> [(b) Ms. Lau <u>su</u> <u>for the Unde</u> <u>Shares</u> pursuan Irrevocable Undo (c) all the Ui Shares were pl Independent	mpletion ) no by the eholders s. Lau) is Issue; ubscribes rtaken t to the ertaking; itaken aced to Third e Placing	Immediately u Rights Issue Co assuming (a subscription I Qualifying Shar (other than M under the Righ [(b) Ms. Lau su for the Unde Shares pursu the Irrevoc Undertaking;]; no Independen Parties took Shares	mpletion ) no by the reholders (s. Lau) ts Issue; ubscribes rtaken ant to able and (c) t Third up the tares
		Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
I	Ms. Lau <sup>(Note 1)</sup> Parties acting in concert with Ms. Lau	[91,509,437]	[8.89]	[274,528,311]	[8.29]	[2,299,050,903]	[69.43]	[ <u>89</u> 1,509,437]	[26.92]	[ <u>89</u> 1,509,437]	[46.83]
	Hand Sing Overseas Limited $(Note 2)$ Strong Purpose Corporation $(Note 3)$ Glory Add Limited $(Note 4)$ Mr. Chan Shing $(Note 5)$ Ms. Chan $(Note 6)$	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.73] [1.34] [4.98] [2.36] [1.54]	[22,515,861] [41,320,662] [153,747,777] [75,745,926] [47,808,000]	[0.68] [1.25] [4.64] [2.20] [1.44]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.23] [0.42] [1.55] [0.73] [0.48]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.23] [0.42] [1.55] [0.73] [0.48]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.39] [0.72] [2.69] [1.27] [0.84]
	Sub-total of Ms. Lau and parties acting in concert with the her	[204,222,179]	[19.84]	[612,666,537]	[18.50]	[2,411,763,645]	[72.83]	[1,004,222,179]	[30.33]	[1,004,222,179]	[52.75]
	Other Directors <sup>(Notes 7 and 10)</sup> Mr. Wu Jingwei <sup>(Note 8)</sup> Mr. Li Zi Kui <sup>(Note 8)</sup> Ms. Zhu Xinxin <sup>(Notes 8</sup> and 9) Mr. Huang Shenglan <sup>(Note 8)</sup> Mr. Cui Shuming <sup>(Note 8)</sup>	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.80] [0.27] [0.18] [0.01] [0.02]	[24,660,000] [8,400,000] [5,550,000] [330,000] [600,000]	[0.74] [0.25] [0.17] [0.01] [0.02]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.25] [0.08] [0.06] [0.00] [0.01]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.25] [0.08] [0.06] [0.00] [0.01]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.43] [0.15] [0.10] [0.01] [0.01]
	Sub-total	[13,180,000]	[1.28]	[39,540,000]	[1.19]	[13,180,000]	[0.40]	[13,180,000]	[0.40]	[13,180,000]	[0.69]
	Independent placees Holder of New Option 1 Bond Other public Shareholders	[812,078,554]	[78.88]	[222,870,000] [2,436,235,662]	[6.73] [73.58]	[74,290,000] [812,078,554]	[2.24]	[1,407,541,466] [74,290,000] [812,078,554]	[42.50] [2.24] [24.53]	[74,290,000] [812,078,554]	[3.90] [42.66]
	Total	[1,029,480,733]	[100.00]	[3,311,312,199]	[100.00]	[3,311,312,199]	[100.00]	[3,311,312,199]	[100.00]	[1,903,770,733]	[100,00]

Notes:

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

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- 3. Strong Purpose Corporation is wholly owned by Ms. Lau and Mr. Chan Shing, Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO.
- 4. Glory Add Limited is wholly owned by Favor King Limited, which is wholly owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
- 5. Mr. Chan Shing is a party acting in concert with Ms. Lau. Please also refer to notes [3] and [4] above for the interest held by entities controlled by Mr. Chan Shing.
- [Ms. Chan is the daughter of Ms. Lau and an executive Director. By virtue of being a close relative of 6. Ms. Lau, Ms. Chan is presumed to be a party acting in concert with Ms. Lau pursuant to class (8) presumption under the definition of "acting in concert" under the Takeovers Code.]
- 7. The Shares held by the other Directors consist of the Shares held by Directors other than Ms. Chan.
- 8. Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin are executive Directors, and Mr. Huang Shenglan and Mr. Cui Shuming are independent non-executive Directors. Pursuant to Rule 7.27A(1) of the Listing Rules, where there is no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.
  - 9. Ms. Zhu Xinxin is a niece of Ms. Lau and a cousin of Ms. Chan and was appointed as an executive SFCB1Q18 SFCB1O20 Director of the Company with effect from 18 June 2019 by the Board on 18 June 2019 in accordance with SFCB2Q8 bye-law 102(B) of the Company. Ms. Zhu is not a party acting in concert with Ms. Lau.
  - Save for Ms. Chan, each of the Directors confirm that he/she is not involved in the discussion and SFCB1019 10. negotiation in respect of the Rights Issue, the Set-Off and the Whitewash Waiver.

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

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

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

#### LISTING RULES IMPLICATIONS

#### The **Rights Issue**

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

#### **The Placing**

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

#### The Set-Off

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

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

#### TAKEOVERS CODE IMPLICATIONS

#### The <u>Rights Issue</u> and Whitewash Waiver

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

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue Completion</u> (other than the allotment and issue of <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Share</u>; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess <u>Rights</u> Shares, being [1,875,942,592] <u>Rights</u> 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 <u>Rights</u> Shares upon the <u>Rights Issue</u> Completion.

LR14 A.68(9) Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue</u> 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 <u>Rights Shares</u>); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Share</u>; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess <u>Rights</u> Shares, being [2,024,522,592] <u>Rights</u> 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 <u>Rights</u> Shares upon the <u>Rights Issue</u> Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this sFCB2Q9 announcement up to and including the <u>Rights Issue Completion</u> (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 <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Shares</u>; (iii) Ms. Lau has applied for, and successfully been allotted, the <u>Undertaken Shares</u>; and (iv) all the Untaken Shares were placed to Independent Third Parties under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [30.33]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue</u> 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 <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Shares</u>; (iii) Ms. Lau has applied for, and successfully been allotted, the <u>Undertaken Shares</u>; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [52.75]% of the issued share capital of the Company as enlarged by the allotment and issue of the <u>Rights Issue</u> Completion.

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

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

As at the date of this announcement:

- (i) [save as disclosed in the section headed "Effect of the <u>Rights Issue</u> on the shareholding structure of the Company" in this announcement, Ms. Lau and parties acting in concert with her do not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or hold any outstanding derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) none of Ms. Lau or any parties acting in concert with her had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to and including the date of this announcement;
- (iii) none of Ms. Lau or parties acting in concert with her has received any irrevocable TC3.5(c)(iii) commitment to accept the <u>Rights Issue;</u>
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, details of which are set out in TC3.5(f) the section headed "The Irrevocable Undertaking" of this announcement, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company between Ms. Lau and/or parties acting in concert with her on the one hand and any person on the other hand and which might be material to the <u>Rights</u> Issue and/or the Whitewash Waiver;
- (v) save for the <u>Rights Issue</u> being conditional upon obtaining of the Whitewash Waiver by TC3.5(g) Ms. Lau as set out in the section headed "Conditions of the <u>Rights Issue</u>" of this announcement, there is no agreement or arrangement to which Ms. Lau or any parties acting in concert with her is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the <u>Rights Issue</u> and/or the Whitewash Waiver;
- (vi) none of Ms. Lau or parties acting in concert with her has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (vii) apart from the <u>Rights</u> Shares to be subscribed for by Ms. Lau and parties acting in concert with her, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by Ms. Lau or parties acting in concert with her to the Company in connection with the <u>Rights Issue</u> and/or the Whitewash Waiver;
  - (viii) apart from the Irrevocable Undertaking, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Ms. Lau or parties acting in concert with her on one hand, and the Company on the other hand; and
  - (ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) Ms. Lau or parties acting in concert with her; or (b) the Company, its subsidiaries or associated companies.]

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

The Company has established the Independent Board Committee, comprising all the 7.27A(4) independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and <sup>(13,39(6)</sup> (a)(b)(c)</sup> Mr. Cui Shuming, to advise the Independent Shareholders in respect of the <u>Rights Issue</u>, the Set-Off and the Whitewash Waiver and as to the voting action therefor.

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

#### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

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

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

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#### **ADJUSTMENT TO CONVERSION PRICE OF NEW OPTION 1 BONDS**

Reference is made to the announcements of the Company dated 10 March 2017, 16 March 2017, 24 March 2017, 7 April 2017, 7 November 2017, 26 April 2018, 22 March 2019, 28 March 2019, 13 June 2019, 1 November 2019, 4 November 2019, 23 April 2020 and 28 April 2020 in relation to the New Option 1 Bonds.

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

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

#### SGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

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

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

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

Under the Takeovers Code and the Listing Rules, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, and the resolution(s) in relation to SFCB2Q11 the Rights Issue and the Set-Off shall be approved by at least 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, respectively, at the SGM.

[As at the date of this announcement, save for (i) Ms. Lau and parties acting in concert with her; and (ii) Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin, being the executive Directors and their respective associates who are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue under Rule 7.27A(1) of the SFCB2012 Listing Rules, no other Shareholder is involved in or interested in the Rights Issue, the Set-Off and/or the Whitewash Waiver and will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue, the Set-Off and/or the Whitewash Waiver at the SGM.]

#### DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR

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

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

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

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

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

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#### 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  $[\bullet]$  February 2021.

#### DEFINITIONS

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

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

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"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Company"	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1371)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EAF"	the form(s) of application for the excess <u>Rights Shares</u>
"Entitlement Shares"	[183,018,874] <u>Rights Shares</u> to be <u>provisionally allotted to</u> SFCB2Q14 <u>her</u> 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 the independent committee of the Board comprising all the Committee" independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming, which has been established to advise the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver "Independent Financial Gram Capital Limited, a corporation licensed to carry out Adviser" or "Gram Type 6 (advising on corporate finance) regulated activity Capital" under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver "Independent Shareholders" in respect of the Rights Issue only, Shareholders other than SFCB3Q2 (i) Ms. Lau and parties acting in concert with her; (ii) all executive Directors and their respective associates (as defined under the Listing Rules); (iii) those who are involved in or interested in the Rights Issue; and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM: in respect of the Set-Off and the Whitewash Waiver only, Shareholders other than (i) Ms. Lau and parties acting in concert with her; (ii) those who are involved in or interested in the Set-Off and/or the Whitewash Waiver (as the case may be); and (iii) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM "Independent Third Parties" third parties independent from, and not connected with, the Company and its connected persons "Irrevocable Undertaking" the irrevocable undertaking dated 29 January 2021 given by Ms. Lau in favour of the Company, as amended and supplemented by the supplemental deed to irrevocable undertaking dated [16] February 2021 given by Ms. Lau in favour of the Company "Last Trading Day" 29 January 2021, being the last trading day for the Shares immediately prior to the date of this announcement "Latest Time for [4:00 p.m.] on [Wednesday, 28 April] 2021 (or such other Acceptance" time and date as may be determined by the Company), being the latest time for the application of, and payment for, the **Rights Shares** "Listing Committee" has the meaning ascribed to it under the Listing Rules

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

	"Placing Agreement"	the agreement dated [16] February 2021 entered into between the Company and the Placing Agent in respect of the Placing	
	"Placing End Date"	[Tuesday, 4 May] 2021, being the <u>third</u> Business Day following and excluding the day on which the <u>Latest Time</u> for Acceptance falls, or such other dates as the Company may announce	
I	"Placing Long Stop Date"	[4:00] p.m. on [ <u>Tuesday, 4 May</u> ] 2021 (being the next Business Day after the Placing End Date) or such later date as the Company may announce	
I	"Placing Period"	the period from [Friday, 30 April] 2021 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing	
	"Placing Price"	HK\$[0.10] per Placing Share	
	"Placing Share(s)"	Untaken Share(s)	HKExB1Q5
I	"Posting Date"	[Wednesday, 14 April] 2021, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents	
	"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan	
	"Prospectus"	the prospectus to be issued by the Company in relation to the <u>Rights Issue</u>	
	"Prospectus Documents"	the Prospectus, the <u>PAL</u> (s) and the EAF(s)	
	"Qualifying Shareholder(s)"	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders	
	"Record Date"	the date by reference to which <u>provisional</u> allotments under the <u>Rights Issue</u> are expected to be determined, which is [ <u>Tuesday, 13</u> 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	

"Rights Issue"	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of two (2) Rights Shares for every one (1) existing Share held by the Shareholders on the Record Date and subject to the conditions set out in the section headed "Conditions of the Rights Issue" in this announcement
"Rights Issue Completion"	completion of the Rights Issue
<u>"Rights Issue Settlement</u> <u>Date"</u>	[Tuesday, 4 May] 2021
"Rights Shares"	the new Share(s) to be allotted and issued under the Rights Issue, being up to [2,207,541,466] Shares (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date)
"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 <u>allocated to Ms. Lau</u> 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 <u>Rights</u> Shares pursuant to the terms of the Set-Off Deed
"Set-Off Deed"	the deed of set-off dated <u>29 January</u> 2021 entered into by the Company, the Borrower and Ms. Lau in respect of the Set-Off <u>, as amended and supplemented by the supplemental</u> <u>deed to deed of set-off dated [16] February 2021 entered</u> <u>into by the Company, the Borrower and Ms. Lau</u>
"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

I	"SGM"	a special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the <u>Rights Issue</u> , the Placing (including the Specific Mandate), the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital
	"Share(s)"	ordinary share(s) with par value of HK\$0.025 each in the capital of the Company
	"Shareholder(s)"	holder(s) of the Share(s)
	"Shareholder's Loan"	the unsecured loan in the principal amount of HK\$50 million at an interest rate of 9.50% per annum advanced by Ms. Lau to the Borrower pursuant to the Amended Loan Agreement
	"Specific Mandate"	the specific mandate to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the SGM
	"Stock Exchange"	The Stock Exchange of Hong Kong Limited
	"Subscription Price"	the Subscription Price of HK\$[0.10] per Rights Share
	"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules.
	"Supplemental Loan Agreement"	the supplemental loan agreement to the Loan Agreement dated 20 January 2021 entered into between Ms. Lau as Lender and the Borrower as borrower in respect of the extension of the maturity date of the Shareholder's Loan to
		20 January 2022
	"Supplemental Trust Deeds"	collectively, the First Supplemental Trust Deed, the Second Supplemental Trust Deed and the Third Supplemental Trust Deed
	"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
I	"Third Supplemental Trust Deed"	the third supplemental trust deed dated 28 April 2020 entered into between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds, including in respect of the maturity date and the repayment schedule, details of which are disclosed in the announcements of the Company dated 23 April 2020 and 28 April 2020, respectively.
	"Undertaken Share(s)"	<u>\$00,000,000 Rights Shares to be subscribed for by Ms. Lau</u> pursuant to the Irrevocable Undertaking

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

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

Hong Kong, [16] February 2021

As at the date of this announcement, the Board comprises Ms. CHAN Tan Na, Donna, Mr. 2.14 WU Jingwei, Mr. LI Zi Kui and Ms. ZHU Xinxin as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-Executive Directors.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Certain figures included in this announcement have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding. Annexure 3

Irrevocable Undertaking

#### AMENDED AND RESTATED IRREVOCABLE UNDERTAKING

**THIS DEED** is executed on 16 February 2021 with retrospective effect from 29 January 2021 ("**Effective Date**")

#### 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 The Company proposes to offer new Shares for subscription by the Shareholders by way of the Rights Issue on the basis of two Rights Shares for every Share held by the Shareholders on the Record Date for subscription at a price of HK\$0.1 per Rights Share payable in full upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, application for the excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares, and otherwise on the terms and subject to the conditions of the Rights Issue set out in the Prospectus Documents.
- B As at the Effective Date, the total number of existing Shares is 1,029,480,733, and:
  - a. assuming there is no change of total number of issued Shares from the Effective Date up to and including the Record Date, a maximum of 2,058,961,466 Rights Shares will be available for subscription by the Shareholders under the Rights Issue;
  - b. assuming there is no change of total number of issued Shares from the Effective Date up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds, a maximum of 2,207,541,466 Rights Shares will be available for subscription by the Shareholders under the Rights Issue.
- C The offer of the Rights 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 Rights Issue, 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 Effective Date, 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 Rights Issue 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 Rights Shares to be provisionally allotted to her under PAL (the "Entitlement Shares"), in respect of the Relevant Shares beneficially owned by her pursuant to the Rights Issue; 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 Rights 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 Rights 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 Rights Issue 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 Acceptance in accordance with the terms of the Prospectus Documents, the excess Rights Shares (the "Relevant Excess Shares"), which comprise:
  - (i) such Rights Shares which are provisionally allotted to but not subscribed for by other Qualifying Shareholders in respect of the Shares beneficially owned by them; and
  - (ii) the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (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 maximum number of Rights 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 616,891,126 Rights 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 an amended and restated 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 fully paid Rights 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 Rights Issue, 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 Rights Issue 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 Rights Issue 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 Acceptance).
- 10. This Deed shall be terminated upon the termination of the Rights Issue or, if earlier, the date of announcement by the Company on the website of the Stock Exchange that the Rights Issue 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.
- 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.
- 14. This Deed, upon execution by Ms. Lau, shall take retrospective effect from the Effective Date.

Annexure 1

The Announcement

14.58(1) Note 5 to 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 R13.52 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.

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.



13.51A 13.28(1)



華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

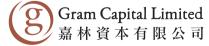
#### (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF 7.19(3) TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD **ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;** (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; (III) CONNECTED TRANSACTION IN RELATION TO THE SET-OFF; (IV) APPLICATION FOR WHITEWASH WAIVER; (V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (VI) RESUMPTION OF TRADING

[Financial adviser to the Company]



[Placing Agent] 金 融控 股有限公 CORNERSTONE FINANCIAL HOLDINGS LIMITED

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



# **PROPOSED RIGHTS ISSUE**

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

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

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

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

# THE IRREVOCABLE UNDERTAKING BY MS. LAU

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

# PLACING

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

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

# **CONNECTED TRANSACTION IN RELATION TO THE SET-OFF**

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

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

# LISTING RULES IMPLICATIONS

# The Rights Issue

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

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

# The Placing

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

# The Set-Off

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

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

# TAKEOVERS CODE IMPLICATIONS

# The Rights Issue and Whitewash Waiver

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

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

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

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Rights Issue Completion (other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date and the allotment and issue of Rights Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) subscribes for any Rights Shares; (iii) Ms. Lau has applied for, and successfully been allotted, the Undertaken Shares; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [52.75]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

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

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

# PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

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

# **GENERAL**

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

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

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

# **RESUMPTION OF TRADING**

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

# PROPOSED <u>RIGHTS ISSUE</u>

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

# **<u>Rights Issue</u>** Statistics

Basis of the <u>Rights</u> <u>Issue</u>	:	Two (2) <u>Rights Shares</u> for every one (1) existing Share held by the Shareholders as at [5:00] p.m. on the Record Date	TC3.5(a) A1B18(2) 13.28(4)
Subscription Price	:	HK\$0.10 per <u>Rights</u> Share	
Number of Shares in issue as at the date of this announcement	:	[1,029,480,733] Shares	13.28(2)
Maximum number of <u>Rights</u> Shares	:	[2,058,961,466] <u>Rights</u> Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date), representing (i) [200.00]% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately [66.67]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion; or	
		[2,207,541,466] <u>Rights</u> Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the Record Date), representing (i) approximately [214.43]% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately [66.67]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.	SFCB2Q1
Number of <u>Rights</u> Shares <u>being</u> <u>undertaken by Ms.</u> Lau	:	[800,000,000] <u>Rights</u> Shares	
Gross proceeds to be raised from the Rights Issue	&	From approximately HK\$80.00 million to approximately HK\$[220,75] million	

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

# The Subscription Price

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The <u>Subscription</u> Price is HK\$0.10 per <u>Rights</u> Share, which shall be payable in full by a <sup>13.28(4)</sup> Qualifying Shareholder upon <u>acceptance of the relevant provisional allotment of the Rights</u> <u>Shares and, where applicable, application for the excess Rights Shares under the Rights</u> <u>Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The</u> <u>Subscription Price represents:</u>

- (i) [a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as 13.28(8) quoted on the Stock Exchange on [29 January] 2021, being the date on which the <u>Subscription Price</u> is fixed;]
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.89% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.149;
- (iv) a discount of approximately 40.12% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.167;
- (v) a discount of approximately 43.18% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (vi) a discount of approximately 15.97% to the theoretical ex-entitlement price of approximately HK\$0.119 per Share based on the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the <u>Rights</u> Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.93% represented by the theoretical diluted price of approximately HK\$0.119 to the benchmarked price of approximately HK\$[0.156] per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.143 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date on which the <u>Subscription</u> Price is fixed of HK\$[0.156] per Share);
- (viii) a discount of approximately [56.33]% to the consolidated net asset value per Share sfcB1Q3 attributable to the Shareholders as at 31 December 2019 of approximately HK\$[0.229] per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$[235,583,000] as at 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019 and [1,029,480,733] Shares in issue as at the date of this announcement; and
- (ix) a discount of approximately [37.11]% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$[0.159] per Share calculated based on the unaudited consolidated net assets of the Group

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

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

The aggregate par value of the <u>Rights</u> Shares will, depending on the level of subscription of 13.28(2) the <u>Rights</u> Shares, range from HK\$[20,000,000] to HK\$[55,188,536.65].

#### Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed 7.19(3) on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

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

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

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

# Conditions of the **Rights Issue**

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[The <u>Rights Issue</u> is conditional on each of the following conditions being fulfilled:

- (i) the grant by the Executive of the Whitewash Waiver on or before the Posting Date and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way sfcB2Q3 of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the <u>Rights Issue</u> 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 <u>Rights Issue</u>, including the allotment and issue of the Rights Shares in their nilpaid and fully paid forms; and
  - (b) the Set-Off;
- (iii) the passing by at least 75% of the votes that are cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the Whitewash Waiver;
- (iv) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the Increase in Authorised Share Capital;

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- (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 <u>Rights</u> Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (viii) the compliance by Ms. Lau with her obligations under the Irrevocable Undertaking prior SFCBIQ6 to the Latest Time for Acceptance and the Irrevocable Undertaking remaining in full force and effect; and
- (ix) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda.

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

# Status of the <u>Rights</u> Shares

The <u>Rights</u> Shares, when issued and fully paid, will be free from all liens, charges, AIBI8(2) 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 <u>Rights</u> Shares.

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

To qualify for the <u>Rights Issue</u>, a Shareholder must be registered as a member of the 13.28(7) Company on the Record Date and a Qualifying Shareholder.

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

## Basis of provisional allotment

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

#### Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of two (2) Rights Shares for every one (1) existing AIBI8(2) Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

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

#### **Rights of Overseas Shareholders**

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

If there are Overseas Shareholders at 5:00 p.m. on the Record Date, the Overseas Shareholders may not be eligible to take part in the <u>Rights Issue</u> as explained below. The Board will make enquiries regarding the feasibility of extending the <u>Rights Issue</u> 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 <u>Rights</u> 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 <u>Rights Issue</u> will not be <u>extended</u> to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

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

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

Overseas Shareholders should note that they may or may not be entitled to participate in the <u>Rights Issue</u>, 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 <u>Rights</u> Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

# Application for excess <u>Rights</u> Shares

Qualifying Shareholders shall be entitled to, by way of excess application, apply for the 7.21(1)(a) excess <u>Rights</u> Shares, which comprise (i) any unsold entitlements to the <u>Rights</u> Shares of the <u>Non-Qualifying</u> Shareholders; and (ii) any nil-paid <u>Rights</u> Shares provisionally allotted but not accepted by the <u>Qualifying</u> Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid <u>Rights</u> Shares.

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

The Directors will allocate any <u>Rights</u> Shares at their discretion on a fair and equitable basis 7.21(3)(a) in accordance with the principle that the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for them on a pro-rata basis with reference to the number of excess Rights Shares applied for, but no reference will be made to the Rights Shares subscribed through applications by PALs and no preference will be given to toppingup odd lot holdings to whole board lot holdings. If the aggregate number of <u>Rights</u> Shares available for excess application is greater than the aggregate number of excess <u>Rights</u> Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess <u>Rights</u> 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 <u>Rigths</u> 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 <u>Rigths</u> Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to [4:30] p.m. on [Wednesday, 7 April] 2021. If so, they must lodge all necessary documents with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by [4:30] p.m. on [Wednesday, 7 April] 2021. The register of members of the Company will be closed from [Thursday, 8 April] 2021 to [Tuesday, 13 April] 2021 (both days inclusive).

#### Share certificates and refund cheques for the <u>Rights</u> Shares

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

## Application for listing and dealing arrangements of the <u>Rights</u> Shares

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

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

A1B18(2)

## **Rights Shares will be eligible for admission into CCASS**

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

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

#### THE IRREVOCABLE UNDERTAKING BY MS. LAU

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

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

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

- (i) promptly (and in any event prior to the Posting Date) apply to the Executive for the Whitewash Waiver; and
- (ii) subject to the Company despatching the Prospectus Documents to the Qualifying Shareholders and the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not been revoked or withdrawn, she shall, at or before the Latest Time for Acceptance, accept and pay for, or procure the acceptance and payment for, no less than [616,981,126] excess Rights Shares, which represents the difference between (1) the Undertaken Shares; and (2) all Entitlement Shares provisionally allotted to her, HKEXB1Q4 and no more than such number of excess Rights Shares which represents the difference between (1) the maximum number of Rights Shares available for subscription under the Rights Issue (as stated in the paragraph headed "Rights Issue Statistics" under the section headed "Proposed Rights Issue" in this announcement); and (2) all Entitlement Shares provisionally allotted to her.

A1B18(3) 7.19(4)

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

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

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

#### PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

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

#### **Placing Agreement**

The principal terms of the Placing Agreement are summarised below:

Placing Agent	:	Cornerstone Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities	13.28(10)
		[The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties and independent from, and not acting in concert with, Ms. Lau.	SFCB1Q13
Placing commission	:	[1.0]% of the gross proceeds from the subscription of the Placing Shares actually placed by the Placing Agent under the Placing Agreement	
Placing Period	:	The Placing Period shall commence on [Friday, 30 April] 2021, and end on the Placing End Date (i.e. [Monday, 3 May] 2021 under the expected timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.	SFCB1Q11, 12

Placees : the Placing Agent shall use its reasonable endeavours to sFCB2Q4 ensure that (i) the placees procured by it (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and independent sFCB3Q1 from, and not acting in concert with, Ms. Lau; and (ii) no placee shall become a substantial Shareholder and any party acting in concert with Ms. Lau immediately following the Placing.

#### **Placing Shares**

The number of Placing Shares shall be equivalent to the number of Untaken Shares, being  $_{13.28(2)}$  the difference between (i) the total number of <u>Rights</u> Shares available for subscription as at the Record Date; and (ii) the total number of <u>Rights</u> Shares taken up by Qualifying Shareholders whether under the <u>PAL(s)</u> or EAF(s).

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

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

#### **Placing Price**

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

- (i) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as 13.28(8) quoted on the Stock Exchange on [29 January] 2021, being the date on which the <u>Subscription</u> Price is fixed;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on the Last Trading Day;

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

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

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

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

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

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

#### **Status of the Placing Shares**

The Placing Shares, when issued and fully paid, will be free from all liens, charges, AIB18(2) 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 <u>issue</u> of the Placing Shares.

# Conditions <u>of</u> the Placing

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

- (i) the passing by the Shareholders of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Placing Agreement (including the Specific Mandate);
- (ii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Placing Shares (subject to customary conditions) and such approval not having been withdrawn or revoked; and
- (iii) the <u>Rights Issue</u> becoming unconditional.
- None of the above conditions <u>of</u> the Placing is capable of being waived in whole or in part by the Placing Agent or the Company.

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

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

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

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

#### **Completion of the Placing**

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

# CONNECTED TRANSACTION IN RELATION TO THE SET-OFF

# The Set-Off

Pursuant to the Amended Loan Agreement, Ms. Lau had advanced to the Borrower the Shareholder's Loan in the principal amount of HK\$50,000,000. The Shareholder's Loan was <sup>14,58(6)</sup> used for repayment of instalment payments under a mortgage loan and payment of office expenses, including salaries of the Group's staff for the period from January 2020 to October 2020. As at the date of this announcement, the entire principal amount of the Shareholder's Loan is unsecured, bearing an interest of 9.5% per annum and with a term of two years.

<u>On 29 January 2021, the Company, the Borrower and Ms. Lau entered into the Set-Off</u> 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 <u>Rights Issue</u> <u>Completion</u> Date on a dollar-to-dollar basis against an equivalent amount of the <u>aggregated</u> <u>Subscription Price of (i) all Entitlement Shares; and (ii) the Relevant Excess Shares</u> allocated to Ms. Lau. The Set-Off will be conditional upon the <u>Rights Issue</u> becoming unconditional pursuant to the terms and conditions as set out in the Prospectus.

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

Subject to (i) the compliance of the set-off arrangement under the Set-Off Deed and (ii) the entire principal amount of the Shareholder's Loan being offset against the subscription price of the relevant <u>Rights</u> 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 <u>Rights Issue</u> <u>Completion</u>.

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

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

- (i) in the event that Ms. Lau validly applies for, and is allocated, all Entitlement Shares and [316,981,126] excess <u>Rights</u> 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 <u>provisional allotments</u> under the <u>Rights</u> <u>Issue</u>, the Set-Off Amount will be at the minimum of HK\$[18,301,887.4].

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

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery, and continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

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

#### **Reasons for and Benefits of the Set-Off**

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

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

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

14.58(8)

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

# **REASONS FOR THE <u>RIGHTS ISSUE</u>**, THE PLACING AND THE SET-OFF AND THE USE OF PROCEEDS

7.24A 13.28(6)

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

The Group has recorded net loss since 2015, and as disclosed in the 2020 Interim Report, for the six months ended 30 June 2020, the Group recorded an unaudited net loss of approximately HK\$75.2 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. However, as at [30 June 2020], the Company had cash and bank balances of only HK\$[53.91] million.

As at the date of this announcement, the Group's current liabilities mainly included (i) the unsecured Shareholder's Loan with a total outstanding principal amount of HK\$50,000,000; (ii) the New Option 1 Bonds in the aggregate principal amount of HK148,580,000 where the second instalment of repayment of approximately HK\$[26.22] million will be due in May 2021; and (iii) a bank loan with a total outstanding amount of HK\$[208.50] million which will fall due on 30 June 2021. The Company's cash and bank balance is insufficient for meeting its imminent cash flow demand in view of the aforementioned liabilities.

In light of the above, the Company intends to raise funds by way of the <u>Rights Issue</u>. Assuming a maximum of [2,207,541,466] <u>Rights</u> Shares and a minimum of [800,000,000] <u>Rights</u> Shares will be issued, the estimated gross proceeds of the <u>Rights Issue</u> will range from a maximum of approximately HK\$[220,75] million to a minimum of approximately HK\$[80.0] million. The estimated expenses in relation to the <u>Rights Issue</u> will amount to approximately HK\$[<u>6.5</u>] million and the estimated net proceeds of the <u>Rights Issue</u> will range from a maximum of approximately HK\$[<u>214.25</u>] million to a minimum of approximately HK\$[<u>73.5</u>] million (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date and only Ms. Lau <u>subscribes for the Undertaken Shares</u> under the Irrevocable Undertaking). The net subscription price per <u>Rights</u> Share is expected to be a maximum of approximately HK\$[<u>0.097</u>] and a minimum of approximately HK\$[<u>0.092</u>].

In the event that the maximum net proceeds of approximately HK\$[214.25] million is raised, <sup>13.28(3)</sup> (i) approximately [42.0]% will be used towards the partial repayment of the New Option 1 Bonds; (ii) approximately [14.0]% will be used towards the partial repayment of an existing bank borrowing (including interest) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group; (iii) approximately [23.3]% will be used towards the Set-Off; and (iv) approximately [20.7]% will be used towards the general working capital of the Group, respectively. As at the date of this announcement, the outstanding principal amount of the New Option 1 HKExB2Q2 Bonds is HK\$[148,580,000], which is convertible into [74,290,000] Shares upon full conversion at the current conversion price of HK\$2.00. Part of the New Option 1 Bonds in the principal amount of approximately HK\$[26,220,000] will be due in May 2021, and the remaining outstanding principal amount of HK\$[122,360,000] will be payable on the New Option 1 Bonds Maturity Date, i.e. 7 November 2021. The New Option 1 Bonds carry an interest of 8.5% per annum which is payable in arrear [on the New Option 1 Bonds Maturity Date].

Details of the aforesaid existing bank borrowing to be repaid by the Group (including the HKExB2Q3 Borrower, the interest rate, maturity date and outstanding balance) are as follows:

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

The Company has considered alternative fundraising means. As regards debt financing, the HKEx B1Q2(i) Company has approached various different financial institutions, most of which provided banking facilities proposals ranging from [one] to [twenty] years [with an interest rate of HIBOR plus a fixed rate] to refinance the Group's current liabilities, but the Company has found it challenging to obtain approval from such financial institutions unless the Supreme People's Court of the PRC makes a judgment in respect of a civil litigation filed by HKEXB2Q5 Dongguan Tianyi Electronic Company Limited, a subsidiary of the Company, in the PRC in favour of the Group in relation to the payment for continued use of terminals for China Welfare Lottery Video Lottery - VLT ("Welfare VLT") by Beijing China Lottery Online Technology Company Limited ("CLO") after expiry of the relevant supply contract and awards damages of approximately RMB[1.36] billion. The potential judgment sum is expected to have a significant impact on the financial position and repayment ability of the Group. Details of such civil litigation in the PRC are set out on pages 20 and 26 of the 2020 Interim Report. Given the pending outcome of the aforementioned litigation and the current financial market conditions in Hong Kong, the Board is of the view that it would be difficult for the Group to obtain sufficient debt financing in a timely manner.

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

The <u>Rights Issue</u> 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 <u>Rights Issue</u>. After considering (i) the benefits and cost of the alternative fundraising means; and (ii) the importance of the fundraising exercise to the Company to satisfy its pressing financial needs, the Directors consider that the <u>Rights Issue</u>, together with the Placing, are in the interests of the Company and the Shareholders as a whole.

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

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

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

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

HKEx B1Q1(iii)(iv) HKExB2Q1

HKEx B1Q1(ii) HKEx B1Q5

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

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

13.28(9)

# EXPECTED TIMETABLE FOR THE <u>RIGHTS ISSUE</u> AND THE PLACING <u>[Note to</u> <u>LF: Please review and confirm]</u>

The expected timetable for the proposed <u>Rights Issue</u> and the Placing is set out below:

I	Despatch date of the Circular, proxy form and notice of the SGM [Tuesday, 9 March] 2021	SFCB2Q6
	Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM 4:30 p.m. on [Tuesday, 23 March] 2021	
	Closure of register of members of the Company to determine entitlement to attend and vote at the SGM [Wednesday, 24 March] 2021 to [Tuesday, 30 March] 2021 (both days inclusive)	
I	Latest time for lodging proxy forms for the SGM [11:00 a.m.] on [Sunday, 28 March] 2021	
	Record date for attending and voting at the SGM [Tuesday, 30 March] 2021	
	SGM	
	Announcement of poll results of the SGM [Tuesday, 30 March] 2021	
	Re-opening of the register of members of the Company [Wednesday, 31 March] 2021	
	Last day of dealings in the Shares on a cum-entitlement basis [Wednesday, 31 March] 2021	
	First day of dealings in the Shares on an ex-entitlement basis	
	Latest time for lodging transfers of the Shares in order for the transferees to qualify for the <u>Rights Issue</u>	
	Closure of register of members to determine the entitlements to the <u>Rights Issue</u>	A1B18(2)

Record Date for the <u>Rights Issue</u> [ <u>Tuesday, 13</u> April] 2021	
Re-opening of the register of members of the Company [Wednesday, 14 April] 2021	
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only) [Wednesday, 14 April] 2021	
First day of dealings in nil-paid Rights Shares [Friday, 16 April] 2021	
Latest time for splitting nil-paid Rights Shares 4:30 p.m. on [Tuesday, 20 April] 2021	
Last day of dealings in nil-paid Rights Shares [Friday, 23 April] 2021	
Latest Time for Acceptance	HKExB1Q6 [7.20]
Announcement of the number of the Untaken Shares subject to the Placing [Thursday, 29 April] 2021	
Commencement of the Placing Period (if there are any Untaken Shares available)	
Placing End Date for placing the Placing Shares	A1B18(2)
Latest Time for the <u>Rights Issue</u> to become unconditional and the Placing Long Stop Date	
<u>Rights Issue Settlement Date</u> and Placing completion date [ <u>Tuesday</u> , <u>4</u> , <u>May</u> ] 2021	
Announcement of the results of the <u>Rights Issue</u> , the application for excess <u>Rights</u> Shares and the Placing [ <u>Tuesday, 4 May</u> ] 2021	HKExB1Q6
Despatch of share certificates for the <u>Rights</u> Shares <u>and/or refund cheques</u>	×
First day of dealings in the fully-paid <u>Rights</u> Shares, and if applicable, the Placing Shares 9:00 a.m. on [ <u>Thursday, 6</u> May] 2021	

Notes:

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

# Effect of bad weather on the <u>Latest Time for Acceptance</u>

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

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

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

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

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

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

	Shareholder	As at the date announcem Number of Shares		Immediately up <u>Rights Issue</u> Co assuming full av by all Quali Shareholders un <u>Rights Iss</u> Number of Shares	ompletion cceptance ifying nder the	Immediately the <u>Rights</u> Completion assu no <u>subscription</u> Qualifying Shar (other than M under the <u>Righ</u> and (b) all the <u>Rights Share</u> subscribed <u>fu</u> Ms. Lat Number of Shares	Issue ming (a) by the reholders s. Lau) ts Issue; e excess s are or by	Immediately the <u>Rights</u> Completion assu no <u>subscription</u> Qualifying Shar (other than M under the <u>Righ</u> (b) Ms. Lau <u>su</u> for the <u>Unde</u> <u>Shares</u> ; and (c) Untaken Shar placed to Inde Third Parties u Placing Number of Shares	Issue ming (a) by the reholders s. Lau) ts Issue; bscribes rtaken all the es are pendent nder the	Immediately u Rights Issue Co assuming (a subscription Qualifying Shau (other than M under the Righ (b) Ms. Lau su for the Under Shares pursuan Irrevocable Und and (c) no Ind Third Parties the Untaken Number of Shares	ompletion a) no by the reholders [s. Lau) (ts Issue; ubscribes ertaken tt to the lertaking; ependent take up
Ι	Ms. Lau <sup>(Note 1)</sup> Parties acting in concert with Ms. Lau Hang Sing Overseas Limited $^{(Note 2)}$ Strong Purpose Corporation $^{(Note 3)}$ Glory Add Limited $^{(Note 4)}$ Mr. Chan Shing $^{(Note 5)}$ Ms. Chan $^{(Note 6)}$	[91,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[8.89] [0.73] [1.34] [4.98] [2.36] [1.54]	[274,528,311] [22,515,861] [41,320,662] [153,747,777] [75,745,926] [47,808,000]	[8.89] [0.73] [1.34] [4.98] [2.36] [1.54]	[2,150,470,903] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[69.63] [0.24] [0.45] [1.66] [0.79] [0.51]	[ <u>89</u> 1,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[28.87] [0.24] [0.45] [1.66] [0.79] [0.51]	[ <u>89</u> 1,509,437] [7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[48.73] [0.41] [0.75] [2.80] [1.33] [0.87]
	Sub-total of Ms. Lau and parties acting in concert with the her Other Directors <sup>(Note 7)</sup> Mr. Wu Jingwei <sup>(Note 8)</sup> Mr. Li Zi Kui <sup>(Note 8)</sup> Ms. Zhu Xinxin <sup>(Note 8)</sup> Mr. Huang Shenglan <sup>(Note 8)</sup> Mr. Cui Shuming <sup>(Note 8)</sup>	[204,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[19.84] [0.80] [0.27] [0.18] [0.01] [0.02]	[612,666,537] [24,660,000] [8,400,000] [5,550,000] [330,000] [600,000]	[19.84] [0.80] [0.27] [0.18] [0.01] [0.02]	[2,263,183,645] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[73.28] [0.27] [0.09] [0.06] [0.00] [0.01]	[1,004,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[32.52] [0.27] [0.09] [0.06] [0.00] [0.01]	[1,004,222,179] [8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[54.89] [0.45] [0.15] [0.10] [0.01] [0.01]
	Sub-total	[13,180,000]	[1.28]	[39,540,000]	[1.28]	[13,180,000]	[0.43]	[13,180,000]	[0.43]	[13,180,000]	[0.72]
	Independent placees Other public Shareholders	[812,078,554]	[78.88]	[2,436,235,662]	[78.88]	[812,078,554]	[26.29]	[1,258,961,466] [812,078,554]	[40.76] [26.29]	[812,078,554]	[44.39]
I	Total	[1,029,480,733]	[100.00]	[3,088,442,199]	[100.00]	[3,088,442,199]	[100.00]	[3,088,442,199]	[100.00]	[1,829,480,733]	[100.00]

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

	Shareholder	As at the date announcem	ent	Immediately up <u>Rights Issue Co</u> i assuming full ac by all Qualit Shareholders un <u>Rights Iss</u>	<u>mpletion</u> ceptance ying der the u <u>e</u>	Immediately up Rights Issue Co assuming (a <u>subscription</u> b Qualifying Shar (other than Ms under the <u>Right</u> and (b) all the <u>Rights Shares</u> subscribed <u>for</u> Lau	mpletion ) no by the echolders s. Lau) excess were by Ms.	Immediately up <u>Rights Issue Co</u> assuming (a <u>subscription</u> 1 Qualifying Shar (other than M under the <u>Righ</u> [(b) Ms. Lau <u>su</u> <u>for the Unde</u> <u>Shares</u> pursuan Irrevocable Undo (c) all the Ui Shares were pl Independent	mpletion ) no by the eholders s. Lau) is Issue; ubscribes rtaken t to the ertaking; itaken aced to Third e Placing	n <u>Rights Issue Comple</u> assuming (a) no <u>subscription</u> by th Qualifying Sharehol (other than Ms. L c; under the <u>Rights Is</u> (b) Ms. Lau <u>subscrifor the Undertakk</u> [(b) Ms. Lau <u>subscrifor the Undertakk</u> [(b) Ms. Lau <u>subscrifor the Undertakk</u> [(c) <u>Shares</u> pursuant (c) <u>Undertaking</u> ]; and no Independent Th Parties took up ti untaken Shares	
		Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
	Ms. Lau <sup>(Note 1)</sup> Parties acting in concert with Ms. Lau	[91,509,437]	[8.89]	[274,528,311]	[8.29]	[2,299,050,903]	[69.43]	[ <u>89</u> 1,509,437]	[26.92]	[ <u>89</u> 1,509,437]	[46.83]
	Hand Sing Overseas Limited $(Note 2)$ Strong Purpose Corporation $(Note 3)$ Glory Add Limited $(Note 4)$ Mr. Chan Shing $(Note 5)$ Ms. Chan $(Note 6)$	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.73] [1.34] [4.98] [2.36] [1.54]	[22,515,861] [41,320,662] [153,747,777] [75,745,926] [47,808,000]	[0.68] [1.25] [4.64] [2.20] [1.44]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.23] [0.42] [1.55] [0.73] [0.48]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.23] [0.42] [1.55] [0.73] [0.48]	[7,505,287] [13,773,554] [51,249,259] [24,248,642] [15,936,000]	[0.39] [0.72] [2.69] [1.27] [0.84]
	Sub-total of Ms. Lau and parties acting in concert with the her	[204,222,179]	[19.84]	[612,666,537]	[18.50]	[2,411,763,645]	[72.83]	[1,004,222,179]	[30.33]	[1,004,222,179]	[52.75]
	Other Directors <sup>(Notes 7 and 10)</sup> Mr. Wu Jingwei <sup>(Note 8)</sup> Mr. Li Zi Kui <sup>(Note 8)</sup> Ms. Zhu Xinxin <sup>(Notes 8</sup> and 9) Mr. Huang Shenglan <sup>(Note 8)</sup> Mr. Cui Shuming <sup>(Note 8)</sup>	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.80] [0.27] [0.18] [0.01] [0.02]	[24,660,000] [8,400,000] [5,550,000] [330,000] [600,000]	[0.74] [0.25] [0.17] [0.01] [0.02]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.25] [0.08] [0.06] [0.00] [0.01]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.25] [0.08] [0.06] [0.00] [0.01]	[8,220,000] [2,800,000] [1,850,000] [110,000] [200,000]	[0.43] [0.15] [0.10] [0.01] [0.01]
	Sub-total	[13,180,000]	[1.28]	[39,540,000]	[1.19]	[13,180,000]	[0.40]	[13,180,000]	[0.40]	[13,180,000]	[0.69]
	Independent placees Holder of New Option 1 Bond Other public Shareholders	[812,078,554]	[78.88]	[222,870,000] [2,436,235,662]	[6.73] [73.58]	[74,290,000] [812,078,554]	[2.24]	[1,407,541,466] [74,290,000] [812,078,554]	[42.50] [2.24] [24.53]	[74,290,000] [812,078,554]	[3.90] [42.66]
	Total	[1,029,480,733]	[100.00]	[3,311,312,199]	[100.00]	[3,311,312,199]	[100.00]	[3,311,312,199]	[100.00]	[1,903,770,733]	[100,00]

Notes:

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

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- 3. Strong Purpose Corporation is wholly owned by Ms. Lau and Mr. Chan Shing, Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO.
- 4. Glory Add Limited is wholly owned by Favor King Limited, which is wholly owned by Ms. Lau and Mr. Chan Shing. Each of Ms. Lau and Mr. Chan Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
- 5. Mr. Chan Shing is a party acting in concert with Ms. Lau. Please also refer to notes [3] and [4] above for the interest held by entities controlled by Mr. Chan Shing.
- [Ms. Chan is the daughter of Ms. Lau and an executive Director. By virtue of being a close relative of 6. Ms. Lau, Ms. Chan is presumed to be a party acting in concert with Ms. Lau pursuant to class (8) presumption under the definition of "acting in concert" under the Takeovers Code.]
- 7. The Shares held by the other Directors consist of the Shares held by Directors other than Ms. Chan.
- 8. Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin are executive Directors, and Mr. Huang Shenglan and Mr. Cui Shuming are independent non-executive Directors. Pursuant to Rule 7.27A(1) of the Listing Rules, where there is no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.
  - 9. Ms. Zhu Xinxin is a niece of Ms. Lau and a cousin of Ms. Chan and was appointed as an executive SFCB1Q18 SFCB1O20 Director of the Company with effect from 18 June 2019 by the Board on 18 June 2019 in accordance with SFCB2Q8 bye-law 102(B) of the Company. Ms. Zhu is not a party acting in concert with Ms. Lau.
  - Save for Ms. Chan, each of the Directors confirm that he/she is not involved in the discussion and SFCB1019 10. negotiation in respect of the Rights Issue, the Set-Off and the Whitewash Waiver.

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

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

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

# LISTING RULES IMPLICATIONS

# The **Rights Issue**

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

# **The Placing**

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

### The Set-Off

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

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

# TAKEOVERS CODE IMPLICATIONS

# The <u>Rights Issue</u> and Whitewash Waiver

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

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue Completion</u> (other than the allotment and issue of <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Share</u>; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess <u>Rights</u> Shares, being [1,875,942,592] <u>Rights</u> 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 <u>Rights</u> Shares upon the <u>Rights Issue</u> Completion.

LR14 A.68(9) Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue</u> 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 <u>Rights Shares</u>); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Share</u>; and (iii) Ms. Lau has applied for, and successfully been allotted, the maximum number of excess <u>Rights</u> Shares, being [2,024,522,592] <u>Rights</u> 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 <u>Rights</u> Shares upon the <u>Rights Issue</u> Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this sFCB2Q9 announcement up to and including the <u>Rights Issue Completion</u> (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 <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Shares</u>; (iii) Ms. Lau has applied for, and successfully been allotted, the <u>Undertaken Shares</u>; and (iv) all the Untaken Shares were placed to Independent Third Parties under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [30.33]% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon the Rights Issue Completion.

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the <u>Rights Issue</u> 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 <u>Rights</u> Shares); (ii) no Qualifying Shareholders (other than Ms. Lau) <u>subscribes for any Rights Shares</u>; (iii) Ms. Lau has applied for, and successfully been allotted, the <u>Undertaken Shares</u>; and (iv) no Independent Third Parties take up the Untaken Shares under the Placing, the voting rights of the Company held by Ms. Lau and the parties acting in concert with her will increase from approximately [19.84]% to [52.75]% of the issued share capital of the Company as enlarged by the allotment and issue of the <u>Rights Issue</u> Completion.

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

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

As at the date of this announcement:

- (i) [save as disclosed in the section headed "Effect of the <u>Rights Issue</u> on the shareholding structure of the Company" in this announcement, Ms. Lau and parties acting in concert with her do not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or hold any outstanding derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) none of Ms. Lau or any parties acting in concert with her had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to and including the date of this announcement;
- (iii) none of Ms. Lau or parties acting in concert with her has received any irrevocable TC3.5(c)(iii) commitment to accept the <u>Rights Issue;</u>
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, details of which are set out in TC3.5(f) the section headed "The Irrevocable Undertaking" of this announcement, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company between Ms. Lau and/or parties acting in concert with her on the one hand and any person on the other hand and which might be material to the <u>Rights</u> Issue and/or the Whitewash Waiver;
- (v) save for the <u>Rights Issue</u> being conditional upon obtaining of the Whitewash Waiver by TC3.5(g) Ms. Lau as set out in the section headed "Conditions of the <u>Rights Issue</u>" of this announcement, there is no agreement or arrangement to which Ms. Lau or any parties acting in concert with her is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the <u>Rights Issue</u> and/or the Whitewash Waiver;
- (vi) none of Ms. Lau or parties acting in concert with her has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (vii) apart from the <u>Rights</u> Shares to be subscribed for by Ms. Lau and parties acting in concert with her, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by Ms. Lau or parties acting in concert with her to the Company in connection with the <u>Rights Issue</u> and/or the Whitewash Waiver;
  - (viii) apart from the Irrevocable Undertaking, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Ms. Lau or parties acting in concert with her on one hand, and the Company on the other hand; and
  - (ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) Ms. Lau or parties acting in concert with her; or (b) the Company, its subsidiaries or associated companies.]

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

The Company has established the Independent Board Committee, comprising all the 7.27A(4) independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and <sup>(13,39(6)</sup> (a)(b)(c)</sup> Mr. Cui Shuming, to advise the Independent Shareholders in respect of the <u>Rights Issue</u>, the Set-Off and the Whitewash Waiver and as to the voting action therefor.

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

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

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

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

SFCB1Q23

# **ADJUSTMENT TO CONVERSION PRICE OF NEW OPTION 1 BONDS**

Reference is made to the announcements of the Company dated 10 March 2017, 16 March 2017, 24 March 2017, 7 April 2017, 7 November 2017, 26 April 2018, 22 March 2019, 28 March 2019, 13 June 2019, 1 November 2019, 4 November 2019, 23 April 2020 and 28 April 2020 in relation to the New Option 1 Bonds.

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

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

### SGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

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

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

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

Under the Takeovers Code and the Listing Rules, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, and the resolution(s) in relation to SFCB2Q11 the Rights Issue and the Set-Off shall be approved by at least 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll, respectively, at the SGM.

[As at the date of this announcement, save for (i) Ms. Lau and parties acting in concert with her; and (ii) Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin, being the executive Directors and their respective associates who are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue under Rule 7.27A(1) of the SFCB2012 Listing Rules, no other Shareholder is involved in or interested in the Rights Issue, the Set-Off and/or the Whitewash Waiver and will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue, the Set-Off and/or the Whitewash Waiver at the SGM.]

### DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR

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

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

# WARNING OF THE RISKS OF DEALING IN SHARES

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

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

LR14A.68 (11)

# 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  $[\bullet]$  February 2021.

# DEFINITIONS

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

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

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"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Company"	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1371)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EAF"	the form(s) of application for the excess <u>Rights Shares</u>
"Entitlement Shares"	[183,018,874] <u>Rights Shares</u> to be <u>provisionally allotted to</u> SFCB2Q14 <u>her</u> 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 the independent committee of the Board comprising all the Committee" independent non-executive Directors, namely Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming, which has been established to advise the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver "Independent Financial Gram Capital Limited, a corporation licensed to carry out Adviser" or "Gram Type 6 (advising on corporate finance) regulated activity Capital" under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver "Independent Shareholders" in respect of the Rights Issue only, Shareholders other than SFCB3Q2 (i) Ms. Lau and parties acting in concert with her; (ii) all executive Directors and their respective associates (as defined under the Listing Rules); (iii) those who are involved in or interested in the Rights Issue; and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM: in respect of the Set-Off and the Whitewash Waiver only, Shareholders other than (i) Ms. Lau and parties acting in concert with her; (ii) those who are involved in or interested in the Set-Off and/or the Whitewash Waiver (as the case may be); and (iii) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM "Independent Third Parties" third parties independent from, and not connected with, the Company and its connected persons "Irrevocable Undertaking" the irrevocable undertaking dated 29 January 2021 given by Ms. Lau in favour of the Company, as amended and supplemented by the supplemental deed to irrevocable undertaking dated [16] February 2021 given by Ms. Lau in favour of the Company "Last Trading Day" 29 January 2021, being the last trading day for the Shares immediately prior to the date of this announcement "Latest Time for [4:00 p.m.] on [Wednesday, 28 April] 2021 (or such other Acceptance" time and date as may be determined by the Company), being the latest time for the application of, and payment for, the **Rights Shares** "Listing Committee" has the meaning ascribed to it under the Listing Rules

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

	"Placing Agreement"	the agreement dated [16] February 2021 entered into between the Company and the Placing Agent in respect of the Placing	
	"Placing End Date"	[Tuesday, 4 May] 2021, being the <u>third</u> Business Day following and excluding the day on which the <u>Latest Time</u> for Acceptance falls, or such other dates as the Company may announce	
I	"Placing Long Stop Date"	[4:00] p.m. on [ <u>Tuesday, 4 May</u> ] 2021 (being the next Business Day after the Placing End Date) or such later date as the Company may announce	
I	"Placing Period"	the period from [Friday, 30 April] 2021 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing	
	"Placing Price"	HK\$[0.10] per Placing Share	
	"Placing Share(s)"	Untaken Share(s)	HKExB1Q5
I	"Posting Date"	[Wednesday, 14 April] 2021, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents	
	"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan	
	"Prospectus"	the prospectus to be issued by the Company in relation to the <u>Rights Issue</u>	
	"Prospectus Documents"	the Prospectus, the <u>PAL</u> (s) and the EAF(s)	
	"Qualifying Shareholder(s)"	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders	
	"Record Date"	the date by reference to which <u>provisional</u> allotments under the <u>Rights Issue</u> are expected to be determined, which is [ <u>Tuesday, 13</u> 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	

"Rights Issue"	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of two (2) Rights Shares for every one (1) existing Share held by the Shareholders on the Record Date and subject to the conditions set out in the section headed "Conditions of the Rights Issue" in this announcement
"Rights Issue Completion"	completion of the Rights Issue
<u>"Rights Issue Settlement</u> <u>Date"</u>	[Tuesday, 4 May] 2021
"Rights Shares"	the new Share(s) to be allotted and issued under the Rights Issue, being up to [2,207,541,466] Shares (assuming there is no change in the number of issued Shares from the date of this announcement up to and including the Record Date)
"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 <u>allocated to Ms. Lau</u> 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 <u>Rights</u> Shares pursuant to the terms of the Set-Off Deed
"Set-Off Deed"	the deed of set-off dated <u>29 January</u> 2021 entered into by the Company, the Borrower and Ms. Lau in respect of the Set-Off, as amended and supplemented by the supplemental deed to deed of set-off dated [16] February 2021 entered into by the Company, the Borrower and Ms. Lau
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

I	"SGM"	a special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the <u>Rights Issue</u> , the Placing (including the Specific Mandate), the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital
	"Share(s)"	ordinary share(s) with par value of HK\$0.025 each in the capital of the Company
	"Shareholder(s)"	holder(s) of the Share(s)
	"Shareholder's Loan"	the unsecured loan in the principal amount of HK\$50 million at an interest rate of 9.50% per annum advanced by Ms. Lau to the Borrower pursuant to the Amended Loan Agreement
	"Specific Mandate"	the specific mandate to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the SGM
	"Stock Exchange"	The Stock Exchange of Hong Kong Limited
	"Subscription Price"	the Subscription Price of HK\$[0.10] per Rights Share
	"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules.
	"Supplemental Loan Agreement"	the supplemental loan agreement to the Loan Agreement dated 20 January 2021 entered into between Ms. Lau as Lender and the Borrower as borrower in respect of the extension of the maturity date of the Shareholder's Loan to
		20 January 2022
	"Supplemental Trust Deeds"	collectively, the First Supplemental Trust Deed, the Second Supplemental Trust Deed and the Third Supplemental Trust Deed
	"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
I	"Third Supplemental Trust Deed"	the third supplemental trust deed dated 28 April 2020 entered into between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the terms and conditions of the New Option 1 Bonds, including in respect of the maturity date and the repayment schedule, details of which are disclosed in the announcements of the Company dated 23 April 2020 and 28 April 2020, respectively.
	"Undertaken Share(s)"	<u>\$00,000,000 Rights Shares to be subscribed for by Ms. Lau</u> pursuant to the Irrevocable Undertaking

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

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

Hong Kong, [16] February 2021

As at the date of this announcement, the Board comprises Ms. CHAN Tan Na, Donna, Mr. 2.14 WU Jingwei, Mr. LI Zi Kui and Ms. ZHU Xinxin as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-Executive Directors.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

The Deed of Set-off

### AMENDED AND RESTATED DEED OF SET-OFF

dated

#### **16 FEBRUARY 2021**

by

#### LAU TING as Lender

and

### CHINA LOTSYNERGY LIMITED as Borrower

and

### CHINA LOTSYNERGY HOLDINGS LIMITED as Issuer



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

### Amended and Restated Deed of Set-off

This Deed is executed on 16 February 2021 with retrospective effect from 29 January 2021 ("Effective Date")

## 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 Rights Issue on the basis of two Rights 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 Rights Issue (the "Announcement") is annexed to this Deed as Annexure 2.
- D. In connection with the Rights Issue, 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 Rights Shares to be provisionally allotted to her in respect of the Shares beneficially owned by her (the "Entitlement Shares"); and
  - b. such number of excess Rights Shares (the "**Relevant Excess Shares**") which is no less than 616,981,126 Rights Shares but no more than the difference between (A) the maximum number of Rights Shares and (B) all Entitlement Shares

upon the terms and subject to the conditions of the Rights Issue 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 aggregate 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 Rights Issue.

"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.

"**Record Date**" means Tuesday, 13 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 Rights Issue are to be determined;

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

"Rights Issue Completion" means the completion of the Rights Issue.

"Rights Issue Completion Date" means the date of the Rights Issue Completion.

"Rights Share(s)" means the new Share(s) to be allotted and issued under the Rights Issue.

"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 subject to the Rights Issue 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 Rights Issue 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 Rights Issue Completion Date with effect from the Rights Issue 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:
  - the set-off of the remaining amount of the Loan owed by the Borrower as at the Rights Issue Completion Date after the set-off pursuant to Clause 2(b) against the equivalent amount of the Relevant Excess Subscription Price; and
  - 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) (if any);
- (d) on the Rights Issue 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 without interest 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 Rights Issue 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 Rights Issue Completion Date, in cash to the Lender;
- (iv) if the subscription price in respect of the Allocated Relevant Excess Shares is <u>less than</u> 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 Rights Issue 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 Rights Issue 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.

# 9.5 **Effective Date**

This Deed, upon execution by all parties hereto, shall take retrospective effect on the Effective Date.

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:

\_\_\_\_\_ L.S.

Witness Name: Address: Occupation:

Notice details:

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

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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

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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:

The Loan Agreement and the Supplemental Agreement

The Announcement

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: WONG Hin Wong Address: 3808, office Tower, convention Plaza, Warcha; , Hk Occupation: Company Secretary