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China LotSynergy Holdings Limited

華彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

**(Stock Code: 1371)**

- (1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION FOR CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(3) ADJUSTMENT TO CONVERSION PRICE OF  
CONVERTIBLE BONDS DUE 2021;  
AND  
(4) APPLICATION FOR WHITEWASH WAIVER**

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



## **THE SUBSCRIPTION AGREEMENT**

On 9 October 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$50,000,000, which may be converted into 333,333,333 Conversion Shares based on the initial Conversion Price of HK\$0.15 per Conversion Share upon full conversion. The Conversion Shares represent approximately 32.38% of the existing total number of Shares in issue, and approximately 24.46% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change to the issued share capital of the Company).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Subscriber is a substantial Shareholder, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, the Subscriber and parties acting in concert with her are interested in 204,415,410 Shares, representing approximately 19.86% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds at the initial Conversion Price, 333,333,333 Conversion Shares will be allotted and issued to the Subscriber and the interest of the Subscriber and parties acting in concert with her in the voting rights of the Company will increase to approximately 39.46% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares (assuming there being no other change to the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Conversion Shares to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with her unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Conversion Shares to the Subscriber 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 by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate), respectively, at the SGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

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

The Board proposes that the authorised share capital of the Company be increased from HK\$40,000,000 to HK\$75,000,000 by the creation of 1,400,000,000 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 EXISTING CONVERTIBLE BONDS**

Based on the adjustment provisions stipulated under condition 6(C)(7) of the terms and conditions of the Existing Convertible Bonds, an adjustment shall be made to the Existing Convertible Bonds Conversion Price as a result of the issue of the Convertible Bonds upon completion. Further announcement(s) in relation to the adjusted Existing Convertible Bonds Conversion Price and the additional number of Shares that will be issued upon conversion of all the outstanding Existing Convertible Bonds based on the adjusted Existing Convertible Bonds Conversion Price will be made by the Company as and when appropriate in compliance with the Listing Rules.

### **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming) has been formed to advise the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver.

The SGM will be held for the Independent Shareholders to approve, among other things, (i) the Subscription Agreement, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the Whitewash Waiver and for the Shareholders to approve the Increase in Authorised Share Capital.

The Circular containing, among others, (i) further details of the Subscription (including the grant of the Specific Mandate), the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) 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 Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

**Completion of the Subscription is subject to the fulfillment or waiver (as applicable) of the conditions precedent to the Subscription in accordance with the Subscription Agreement. Accordingly, the Subscription may or may not proceed.**

**Shareholders and potential investors of the Company should exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

On 9 October 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$50,000,000.

The principal terms of the Subscription Agreement are summarised below.

## **THE SUBSCRIPTION AGREEMENT**

**Date:** 9 October 2020 (after trading hours)

**Parties:** (i) the Subscriber (as subscriber), who is a substantial Shareholder; and  
(ii) the Company (as issuer).

### **The Subscription**

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$50,000,000, which may be converted into 333,333,333 Conversion Shares based on the initial Conversion Price of HK\$0.15 per Conversion Share upon full conversion.

As at the date of this announcement, the Company had 1,029,480,733 Shares in issue. The Conversion Shares represent approximately 32.38% of the existing total number of Shares in issue, and approximately 24.46% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change to the issued share capital of the Company).

### **Conditions precedent to the Subscription**

Completion is conditional upon each of the following conditions being satisfied or, if applicable, waived:

1. the Independent Shareholders passing all necessary resolutions to be proposed at a special general meeting to be convened by the Company which are necessary for the transactions contemplated under the Subscription Agreement to be effective in compliance with the Listing Rules and the Takeovers Code, including but not limited to, to approve, confirm and/or ratify (as the case may be):
  - (i) the Subscription and the entering into and performance of the obligations of the Company under the Transaction Documents and the transactions contemplated thereunder;
  - (ii) the granting of the Specific Mandate for the issuance of the Conversion Shares; and
  - (iii) the Whitewash Waiver;

2. the Shareholders passing the resolution to be proposed at a special general meeting to be convened by the Company to approve the increase of authorised share capital of the Company to HK\$75,000,000 divided into 3,000,000,000 shares of HK\$0.025 each;
3. the granting of the Stock Exchange Approval and such Stock Exchange Approval not being subsequently revoked or withdrawn prior to the Completion Date;
4. the granting by the Executive of the Whitewash Waiver, and such Whitewash Waiver not having been revoked or withdrawn, and the fulfilment of any necessary conditions prior to Completion, if any, attached to it;
5. the Company having obtained any Consent from the relevant governmental or regulatory authorities which is necessary to be obtained for the execution and performance of the Transaction Documents by the Company and any of the transactions contemplated therein;
6. the Company having obtained any Consent from any third parties (other than the relevant governmental or regulatory authorities referred to in the immediately preceding condition set out in paragraph 4 above) which is necessary to be obtained for the execution and performance of the Transaction Documents by the Company and any of the transactions contemplated therein;
7. there being no change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect subsisting; and
8. the Company having duly performed and observed in all material respects all the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to the Completion Date under the Transaction Documents.

The Subscriber may in her sole and absolute discretion waive in whole or in part the conditions set out in paragraphs 6, 7 and 8 above, respectively. Save as aforementioned, none of the other conditions may be waived. The conditions set out in paragraphs 7 and 8 shall be treated as fulfilled for so long as, to the reasonable satisfaction of the Subscriber, no circumstances have arisen to trigger them. As at the date of this announcement, none of the above conditions precedent to the Subscription has been, or has been treated as, fulfilled.

If any of the above conditions has not been fulfilled or waived by the Subscriber by the Long Stop Date, then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and no party shall have any claim against or liability or obligation to any other party save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

### **Completion of the Subscription**

Completion shall take place on the fifth Business Day following the fulfilment (or if applicable, waiver) of the conditions precedent, or such other date as the Subscriber and the Company may agree in writing (the “**Completion Date**”).

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

A summary of the principal terms of the Convertible Bonds is set out below:

Issuer:	The Company
Principal amount:	HK\$50,000,000
Denomination:	HK\$1,000,000 each
Maturity date:	The second anniversary of the date of issue of the Convertible Bonds (i.e. the Completion Date) (the “ <b>Maturity Date</b> ”)
Interest rate:	8% per annum on the outstanding amount
Conversion Price:	The Conversion Price will initially be HK\$0.15 per Conversion Share

The initial Conversion Price of HK\$0.15 per Conversion Share represents:

- (i) A discount of approximately 9.64% to the closing price of the Shares of HK\$0.166 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) A discount of approximately 10.07% to the average closing price of the Shares of HK\$0.1668 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares and the market conditions at the time of entry into the Subscription Agreement.

Adjustment events: The Conversion Price is subject to customary adjustment upon occurrence of, among other things, any of the following events:

- (i) consolidation, subdivision or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) rights issue of Shares or options over Shares at a price which is less than 95% of the then market price of the Shares;

- (v) issue of Shares at less than 95% of the then market price of the Shares;
- (vi) issue of securities convertible into or exchangeable for or carry rights of subscription for Shares at an effective consideration per Share less than 95% of the then market price of the Shares; and
- (vii) any modification of the rights of conversion, exchange or subscription attaching to the securities in (vi) above resulting in an effective consideration per Share being less than 95% of the then market price of the Shares.

Conversion Shares: The Conversion Shares shall be allotted and issued by the Company, credited as fully paid, with effect from the trading day immediately following the date on which conversion rights are validly exercised by the Bondholder(s), and the Bondholder shall be entitled to all dividends and other distributions on the record date which falls after the conversion date.

Conversion rights: Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall have the right to convert all or part of the Convertible Bonds held by such Bondholder(s) into Conversion Shares credited as fully paid at any time during the Conversion Period (as defined below) disregarding fractions and rounded down to the nearest whole number of Conversion Shares, by dividing the aggregate principal amount of the Convertible Bonds to be converted by the applicable Conversion Price in effect on the relevant date of conversion.

The conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion would not result in (i) the Conversion Shares being issued at a price below their nominal value as at the relevant date of conversion; (ii) the public float of the Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion; (iii) any violation by the Company of its obligations under the Listing Rules that regulate the exercise of securities convertible into Shares; and (iv) a general offer obligation on the part of the Bondholder in respect of the Company under Rule 26 of the Takeovers Code, unless such Bondholder complies with such general offer obligation or obtains a waiver in respect of the same.

Conversion period:	The period commencing on the date of issue of the Convertible Bonds and ending on the date immediately prior to the Maturity Date (both days inclusive) (the “ <b>Conversion Period</b> ”).
Early redemption at the option of the Company:	At any time during the period commencing on the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Company may redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.
Early redemption at the option of the Bondholder:	At any time during the period commencing on the date falling 18 months after the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Bondholder shall have the right to require the Company to redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.
Redemption on maturity:	Unless previously redeemed or converted, the Company shall redeem the Convertible Bonds on the Maturity Date at the redemption amount which shall equal to 100% of the principal amount thereof outstanding, together with interest accrued thereon (and not yet paid) up to (but excluding) the Maturity Date.
Status:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and at all times rank pari passu among themselves and at least pari passu in right of payment with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company save for such exceptions as may be provided by mandatory provisions of applicable law.
Transferability:	The Convertible Bonds may be transferred or exchanged in whole or in part at any time, subject to compliance with the terms and conditions of the Convertible Bonds and all applicable regulatory requirements (if any).
Ranking of the Conversion Shares:	The Conversion Shares shall in all respects rank pari passu with the Shares in issue as at the date of allotment and issuance of such Conversion Shares.

Voting rights: Bondholders shall not be entitled to attend or vote at any general meetings of the Company by reason of being Bondholders.

Listing: The Convertible Bonds are not and will not be listed on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Convertible Bonds.

## **SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES**

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

## **INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION**

Upon Completion, the gross proceeds from the issuance of the Convertible Bonds will be HK\$50 million, which will be utilised for the repayment in full of the principal amount of a loan advance of HK\$50 million (the “**Loan**”) owing by the Company’s wholly-owned subsidiary, as borrower, to the Subscriber, as lender, pursuant to a loan agreement dated 21 January 2020 (the “**Loan Agreement**”) made between such borrower and the Subscriber. The Loan is unsecured and for a term of one year at an interest rate of 9.50% per annum. Pursuant to the Subscription Agreement, on the Completion Date, the payment of HK\$50 million for the Subscription payable by the Subscriber to the Company shall be set off against the same amount of the Loan owed by the aforesaid wholly-owned subsidiary of the Company to the Subscriber as at the Completion Date. After taking into account the expenses in relation to the Subscription Agreement, the net proceeds from the issuance of the Convertible Bonds will be approximately HK\$48.5 million.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Group obtained the Loan for the purpose of financing the general working capital of the Group. Pursuant to the Loan Agreement, the Subscriber has the right to demand for repayment of the Loan at any time after April 2020. In the absence of such demand, the Loan will be due in January 2021. The Board has been exploring different ways to refinance the Loan as elaborated below.

Besides the Subscription, the Board has considered other ways of fund raisings such as bank borrowings, placing of new shares, rights issue or open offer. In this respect, the Board has been in discussions with potential lenders but considers that the Subscription offers the most favourable fund raising terms to the Group.

As regards bank borrowings, the Board considers that it might be uncertain and time consuming to rely on bank borrowings, especially given the current financial market conditions in Hong Kong and the general deterioration in the macroeconomic environment. As regards other types of equity financings, if the Company is to raise funds by way of placing, placing agent commission and additional costs will need to be incurred. The success of placing is also subject to the uncertainty of current capital market conditions in Hong

Kong. A rights issue or open offer would cause the Company to incur more transaction costs including but not limited to additional costs for the preparation of the listing documents and such corporate exercises would have a relatively more time consuming process which may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing uncertainty in being able to raise funds in time and affect the financial condition of the Group.

In view of the above, the Company considers the Subscription to be the most desirable method of fund raising. Not only can the Subscription provide the Group with a refinancing means for the Loan for another two years, the Company acknowledges that the Subscriber plays, and will continue to play, a vital role in the Company, particularly in the Group's financing matters. As such, the Board considers that the Subscription to be a way to recognise her continuing support to the Group.

The Board (excluding members of the Independent Board Committee whose opinion will be provided after taking into account the advice from Gram Capital) considers the Subscription Agreement to be on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **INFORMATION ON THE GROUP**

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.

#### **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a substantial Shareholder, an entrepreneur and the founder of the Group.

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

Save for (i) 10,000,000 new Shares issued upon the exercise of Share Options; and (ii) amendments to certain terms and conditions of the Existing Convertible Bonds on 4 November 2019 and 28 April 2020 under the Supplemental Trust Deeds, respectively, the Company had not carried out any equity fund raising activities in the twelve months immediately preceding the date of this announcement.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,029,480,733 Shares in issue. The table below depicts the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change to the issued share capital of the Company):

Name of Shareholder	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding
Ms. LAU Ting (i.e. the Subscriber) <sup>Note 1</sup>	91,509,437	8.89	424,842,770	31.17
<i>Parties acting in concert with the Subscriber</i>				
Hang Sing Overseas Limited <sup>Note 2</sup>	7,505,287	0.73	7,505,287	0.55
Strong Purpose Corporation <sup>Note 3</sup>	13,773,554	1.34	13,773,554	1.01
Glory Add Limited <sup>Note 4</sup>	51,249,259	4.98	51,249,259	3.76
Burwill Holdings Limited <sup>Note 5</sup>	193,231	0.02	193,231	0.01
Mr. CHAN Shing <sup>Note 6</sup>	24,248,642	2.36	24,248,642	1.78
Ms. CHAN Tan Na, Donna <sup>Note 7</sup>	15,936,000	1.55	15,936,000	1.17
<b>Sub-total of the Subscriber and parties acting in concert with the Subscriber</b>	<b>204,415,410</b>	<b>19.86</b>	<b>537,748,743</b>	<b>39.46</b>
<i>Other Directors <sup>Note 8</sup></i>				
Mr. WU Jingwei	8,220,000	0.80	8,220,000	0.60
Mr. LI Zi Kui	2,800,000	0.27	2,800,000	0.21
Ms. ZHU Xinxin	1,850,000	0.18	1,850,000	0.14
Mr. HUANG Shenglan	110,000	0.01	110,000	0.01
Mr. CUI Shuming	200,000	0.02	200,000	0.01
<b>Sub-total</b>	<b>13,180,000</b>	<b>1.28</b>	<b>13,180,000</b>	<b>0.97</b>
Other Public Shareholders	811,885,323	78.86	811,885,323	59.57
<b>Total</b>	<b>1,029,480,733</b>	<b>100.00</b>	<b>1,362,814,066</b>	<b>100.00</b>

*Notes:*

1. *As at the date of this announcement, Ms. LAU Ting 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 5 below.*
2. *Hang Sing Overseas Limited is wholly owned by Orient Strength Limited, which is wholly-owned by Ms. LAU Ting. Ms. LAU Ting 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 Ting and Mr. CHAN Shing. Each of Ms. LAU Ting 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 Ting and Mr. CHAN Shing. Each of Ms. LAU Ting and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.*
5. *Ms. LAU Ting and Mr. CHAN Shing are the controlling shareholders of Burwill Holdings Limited. Each of Ms. LAU Ting and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Burwill Holdings Limited under the SFO.*
6. *Mr. Chan Shing is a party acting in concert with the Subscriber.*
7. *Ms. CHAN Tan Na, Donna is the daughter of the Subscriber and an executive Director. By virtue of being a close relative of the Subscriber, Ms. CHAN Tan Na, Donna 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.*
8. *The Shares held by the other Directors consist of the Shares held by Directors other than Ms. CHAN Tan Na, Donna. None of those Directors are involved in or interested in the Subscription and therefore they are not required to abstain from voting in respect of the relevant resolution(s) at the SGM.*
9. *As at the date of this announcement, there are 1,160,000 outstanding Share Options, none of which were granted to the Directors.*
10. *Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.*
11. *Save as disclosed above, none of the Directors have any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.*

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Subscriber is a substantial Shareholder, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company, and is subject to the announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, the Subscriber and parties acting in concert with her are interested in 204,415,410 Shares, representing approximately 19.86% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds at the initial Conversion Price, 333,333,333 Conversion Shares will be allotted and issued to the Subscriber and the interest of the Subscriber and parties acting in concert with her in the voting rights of the Company will increase to approximately 39.46% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares (assuming there being no other change to the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Conversion Shares to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with her unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Conversion Shares to the Subscriber 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 by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate), respectively, at the SGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

As at the date of this announcement, the Company confirmed that the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver did not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver do not comply with other applicable rules and regulations.

Each of the Subscriber and the parties acting in concert with her has confirmed that, as at the date of this announcement:

- (i) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” above in this announcement, the Subscriber 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 any 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) in the six months prior to the date of the Subscription Agreement up to and including the date of this announcement, Ms. CHAN Tan Na, Donna acquired 11,316,000 Shares on 6 July 2020 at HK\$0.2180 per Share. Such acquisition of Shares was made prior to the negotiations, discussions or the reaching of understandings or agreements with the Directors (which include informal discussions) in relation to the Subscription Agreement (including the grant of the Specific Mandate) and the Whitewash Waiver. Save as disclosed above and save for the entering into of the Subscription Agreement, none of the Subscriber 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 the date of the Subscription Agreement up to and including the date of this announcement;
- (iii) none of the Subscriber or parties acting in concert with her has received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the SGM to approve the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (iv) 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 Subscriber 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 Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (v) save for the Subscription Agreement, there is no agreement or arrangement to which the Subscriber 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 Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (vi) none of the Subscriber 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 consideration payable to the Company for the Subscription pursuant to the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by the Subscriber or parties acting in concert with her to the Company in connection with the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (viii) apart from the Subscription Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber 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 Subscriber or parties acting in concert with her; or (b) the Company, its subsidiaries or associated companies.

## **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 (i) outstanding Existing Convertible Bonds in the principal amount of HK\$174,800,000, which are convertible into 87,400,000 Shares upon full conversion at the current conversion price of HK\$2.00 per Share; and (ii) outstanding Share Options for 1,160,000 Shares granted under the 2012 Share Option Scheme.

In order to facilitate the Subscription 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\$75,000,000 by the creation of 1,400,000,000 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 EXISTING CONVERTIBLE 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 Existing Convertible Bonds.

Pursuant to the terms and conditions of the Existing Convertible Bonds, if the Company shall issue any securities which carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a price per Share which is less than 95% of the current market price of the Shares (as defined in the terms and conditions of the Existing Convertible Bonds) on the date of announcement of the terms of such issue, the conversion price of the Existing Convertible Bonds (the “**Existing Convertible Bonds Conversion Price**”) shall be adjusted pursuant to the terms and conditions of the Existing Convertible Bonds and shall become effective on the date of issue of such securities.

Notice is hereby given that based on the adjustment provisions stipulated under condition 6(C)(7) of the terms and conditions of the Existing Convertible Bonds, an adjustment shall be made to the Existing Convertible Bonds Conversion Price as a result of the issue of the Convertible Bonds upon Completion. Further announcement(s) in relation to the adjusted Existing Convertible Bonds Conversion Price and the additional number of Shares that will be issued upon conversion of all the outstanding Existing Convertible Bonds based on the adjusted Existing Convertible Bonds Conversion Price will be made by the Company as and when appropriate in compliance with the Listing Rules.

## GENERAL

The Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming) has been formed to advise the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

The SGM will be held for the Independent Shareholders to approve, among other things, (i) the Subscription Agreement, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the Whitewash Waiver and for the Shareholders to approve the Increase in Authorised Share Capital.

The Subscriber and parties acting in concert with her and their respective associates and Shareholders who are involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver (as applicable) will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the SGM.

As at the date of this announcement, save for the Subscriber and parties acting in concert with her and their respective associates, no other Shareholder is involved in or interested in the Subscription (including the grant of the Specific Mandate) or the Whitewash Waiver and will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the SGM.

The Circular containing, among others, (i) further details of the Subscription (including the grant of the Specific Mandate), the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) 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 Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

**Completion of the Subscription is subject to the fulfillment or waiver (as applicable) of the conditions precedent to the Subscription in accordance with the Subscription Agreement. Accordingly, the Subscription may or may not proceed.**

**Shareholders and potential investors of the Company should exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

## **DEFINITIONS**

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

“2012 Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 18 May 2012
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond Certificate”	a certificate in respect of the Convertible Bonds to be issued to the Bondholder(s) pursuant to the terms of the Bond Instrument
“Bond Instrument”	the bond instrument to be executed as a deed by the Company constituting the Convertible Bonds
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	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
“Circular”	the circular to be issued by the Company in relation to, among others, the Subscription (including the grant of the Specific Mandate), the Whitewash Waiver and the Increase in Authorised Share Capital
“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)
“Completion”	completion of the issuance and subscription of the Convertible Bonds in accordance with the terms of the Subscription Agreement

“Completion Date”	has the meaning ascribed thereto under the paragraph headed “Completion of the Subscription” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consent”	any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any person
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.15 per Conversion Share, subject to adjustments set forth under the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Shares to be allotted and issued by the Company upon the exercise of the conversion right under the Convertible Bonds
“Convertible Bonds”	the 8% unsecured convertible bonds due 2022 in the aggregate principal amount of HK\$50,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Convertible Bonds”	the Hong Kong dollar denominated unsecured convertible bonds with an outstanding principal amount of HK\$174,800,000 issued by the Company on 7 April 2017 (as the same may from time to time be amended and/or supplemented)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative 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\$75,000,000 divided into 3,000,000,000 Shares

“Independent Board Committee”	the independent committee of the Board established pursuant to the Takeovers Code and the Listing Rules to give recommendations to the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Subscriber and parties acting in concert with her and their respective associates and those who are involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver and 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
“Last Trading Day”	9 October 2020, being the last trading day for the Shares on the Stock Exchange prior to the date of this announcement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2021
“Material Adverse Effect”	in relation to any act, action, omission or event, (i) a material adverse effect on the condition (financial or other), prospects, results of operations, business, management, properties or general affairs of the Company or the Group taken as a whole, (ii) a material and adverse effect on the ability of the Company to perform its obligations under the Transaction Documents; or (iii) which is material in the context of the issue of the Convertible Bonds
“Share Options”	the share options granted by the Company from time to time under the 2012 Share Option Scheme to subscribe for Shares

“Supplemental Trust Deeds”	collectively, the second supplemental trust deed entered into on 4 November 2019 between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the Existing Convertible Bonds and the third supplemental trust deed entered into on 28 April 2020 between the Company and DB Trustees (Hong Kong) Limited to give effect to certain amendments to the Existing Convertible Bonds, respectively
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Whitewash Waiver and the Increase in Authorised Share Capital
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issuance of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Approval”	the approval of the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
“Subscriber”	Ms. Lau Ting, a substantial Shareholder
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 9 October 2020 entered into between the Company and the Subscriber in relation to the Subscription, as amended and/or supplemented from time to time
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the SFC

“Transaction Documents”	the Subscription Agreement, the Bond Instrument or the Bond Certificate
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Subscriber 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 the Subscriber and parties acting in concert with her which would, if the Subscription proceeds, otherwise arise as a result of the allotment and issuance of the Conversion Shares to the Subscriber
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 9 October 2020

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

*The Directors jointly and severally accept full responsibility for accuracy of the information (other than those relating to the Subscriber and the parties acting in concert with her) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber) 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.*

*The Subscriber accepts full responsibility for the accuracy of the information (other than those relating to the Group) contained in this announcement and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed (other than those expressed by the Directors (in their capacity as Directors)) 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.*

\* For identification purposes only