

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Ecotourism Group Limited (formerly known as China LotSynergy Holdings Limited), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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



(formerly known as China LotSynergy Holdings Limited 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
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS
(II) PROPOSED PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
(III) PROPOSED CONNECTED TRANSACTION IN RELATION TO THE SET-OFF
(IV) APPLICATION FOR WHITEWASH WAIVER
AND
(V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

Financial adviser to the Company

六福金融
LUKFOOK FINANCIAL

Placing Agent



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

g Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date, which is expected to be Thursday, 20 May 2021 or such other date as may be determined and announced by the Company, 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 Thursday, 13 May 2021.

A letter from the Board is set out on pages 13 to 45 of this circular.

A letter from the Independent Board Committee is set out on pages 46 to 47 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 70 of this circular.

A notice convening the SGM to be held at Room 1703-1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 10 May 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-5 of this circular.

Whether or not you intend to attend and vote at the SGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on the form and deposit the same to the principal place of business of the Company at Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong or the office of the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (i.e. 11:00 a.m. on Saturday, 8 May 2021 (Hong Kong time)) before the time appointed for the holding of the SGM or any adjournment of that meeting (as the case may be). Completion and deposit of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment of that meeting (as the case may be) should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The Rights Issue, the Placing, the Set-Off and the Whitewash Waiver are each conditional upon the fulfillment of the conditions as set out in relevant sections of the "Letter from the Board" in this circular.

Shares will be dealt on an ex-rights basis from Wednesday, 12 May 2021. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 25 May 2021 to Tuesday, 1 June 2021. Any persons contemplating dealings in the Shares prior to the date on which all conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in the nil-paid form between Tuesday, 25 May 2021 to Tuesday, 1 June 2021 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Share or nil-paid Rights Shares are recommended to consult their own professional advisers.

PRECAUTIONARY MEASURES FOR THE SGM

Please see the section headed "Precautionary Measures for the SGM" of this circular for the preventive measures to be taken to try to prevent and control the spread of the ongoing novel coronavirus pneumonia 2019 (COVID-19) pandemic at the SGM, including but not limited to:

- compulsory temperature checks and health declarations;
- compulsory wearing of surgical face masks; and
- no distribution of corporate gifts and refreshments.

Attendees who do not comply with the precautionary measures may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the chairperson of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

* For identification purposes only

Wednesday, 14 April 2021

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PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue declaration forms confirming their names and contact details, and confirming that they (i) have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong, (ii) have not been under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong, and (iii) have not lived with any person under home quarantine (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the SGM venue or be required to leave the SGM venue.
- (iii) Every attendee will be required to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the SGM venue and be asked to leave the venue.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under applicable law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairperson of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

The proxy form is attached to this circular. Alternatively, the proxy form can be downloaded from the “Investor Relations” section of the Company’s website at <http://www.chinalotsynergy.com/> or the designated website of the Stock Exchange at <https://www.hkexnews.hk/>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the HKSCC), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE SGM

If Shareholders choose not to attend the SGM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company Secretary of the Company by facsimile or email as follows:

Company Secretary

Email: clscomsec@chinalotsynergy.com

Fax: (852) 2136 6608

If Shareholders have any questions relating to the SGM, please contact Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor, Hopewell Centre

183 Queen's Road East Wanchai, Hong Kong

Website: www.computershare.com/hk/contact

Tel: (852) 2862 8555

Fax: (852) 2865 0990

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“2020 Annual Results Announcement”	the announcement of the Company dated 31 March 2021 in respect of the annual results for the 12 months ended 31 December 2020
“2020 Interim Report”	the interim report of the Company dated 27 August 2020 for the six months ended 30 June 2020
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Amended Loan Agreement”	the Loan Agreement as supplemented by 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
“Announcement”	the announcement of the Company dated 16 February 2021 in relation to, among other things, the Rights Issue, the Placing, the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Beneficial Owners”	owners of Shares whose Shares are registered in the name of a registered Shareholder as shown in the register of members of the Company
“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

DEFINITIONS

“CLO”	Beijing China Lottery Online Technology Company Limited, an Independent Third Party
“Companies Registry”	Companies Registry of Hong Kong
“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 Ecotourism Group Limited (formerly known as 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
“DGTY”	Dongguan Tianyi Electronic Company Limited, a subsidiary of the Company
“DGTY Litigation”	a civil action filed by DGTY with the People’s High Court of Beijing in relation to the payment for continued use of terminals for China Welfare Lottery Video Lottery — VLT by CLO after expiry of the relevant supply contract, details of which are disclosed on pages 20 and 26 of the 2020 Interim Report, the 2020 Annual Results Announcement, and the announcement of the Company dated 25 March 2021
“Director(s)”	the director(s) of the Company
“EAF”	the form(s) of application for the excess Rights Shares
“Entitlement Shares”	183,018,874 Rights Shares to be provisionally allotted to Ms. Lau in respect of the Shares held by her pursuant to the Rights Issue
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)

DEFINITIONS

“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
“FY2019”	the financial year ended 31 December 2019
“FY2020”	the financial year ended 31 December 2020
“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 Rights Issue, the Set-Off and the Whitewash Waiver
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity 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

DEFINITIONS

“Independent Shareholders”	<p>in respect of the Rights Issue only, Shareholders other than (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;</p> <p>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</p>
“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
“Latest Practicable Date”	9 April 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Latest Time for Acceptance”	4:00 p.m. on Friday, 4 June 2021 (or such other time and date as may be determined and announced 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

DEFINITIONS

“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 Latest Practicable Date 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 an Independent Third Party as at the Latest Practicable Date
“New Option 1 Bonds Maturity Date”	7 November 2021
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue 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
“PAL”	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”	4:00 p.m. on Wednesday, 9 June 2021, being the third Business Day following and excluding the day on which the Latest Time for Acceptance falls, or such other date as the Company may announce

DEFINITIONS

“Placing Long Stop Date”	4:00 p.m. on Thursday, 10 June 2021 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period from Tuesday, 8 June 2021 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)
“Posting Date”	Friday, 21 May 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 circular 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 Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(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 provisional allotments under the Rights Issue are expected to be determined, which is Thursday, 20 May 2021 or such other 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 Rights Shares to be applied for by Ms. Lau
“Relevant Period”	the period commencing six (6) months immediately preceding the date of the Announcement (i.e. 16 August 2020) and ending on the Latest Practicable Date
“Reporting Period”	the twelve month period from 1 January 2020 to 31 December 2020

DEFINITIONS

“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 circular
“Rights Issue Completion”	completion of the Rights Issue
“Rights Issue Settlement Date”	Thursday, 10 June 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 total number of issued Shares 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)
“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 allocated to Ms. Lau pursuant to the terms of the Set-Off Deed
“Set-Off Amount”	the amount of the Shareholder’s Loan to be offset against the aggregated subscription price of the relevant Rights 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, 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

DEFINITIONS

“SGM”	a special general meeting of the Company to be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 10 May 2021 at 11:00 a.m. to consider and, if thought fit, to approve, among other things, the Rights Issue, 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\$50.00 million at an interest rate of 9.50% per annum due 20 January 2022 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, which, if granted, shall expire three months from the date of 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 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
“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)”	800,000,000 Rights Shares to be subscribed for by Ms. Lau pursuant to the Irrevocable Undertaking

DEFINITIONS

“Untaken Share(s)”	the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renounee(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 circular
“%”	per cent.

Certain figures included in this circular 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.

EXPECTED TIMETABLE

The expected time and dates in the timetable for the Rights Issue and the Placing below and in this circular are indicative only and may be subject to change. Any such change will be announced in a separate announcement by the Company as and when appropriate.

All time and date references contained in this circular shall refer to Hong Kong local time and dates.

Events	Time and Date
Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM.....	4:30 p.m. on Monday, 3 May 2021
Closure of register of members of the Company to determine entitlement to attend and vote at the SGM.....	Tuesday, 4 May 2021 to Monday, 10 May 2021 (both days inclusive)
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Saturday, 8 May 2021
Record date for attending and voting at the SGM	Monday, 10 May 2021
SGM	11:00 a.m. on Monday, 10 May 2021
Announcement of poll results of the SGM	Monday, 10 May 2021
Re-opening of the register of members of the Company	Tuesday, 11 May 2021
Last day of dealings in the Shares on a cum-entitlement basis.....	Tuesday, 11 May 2021
First day of dealings in the Shares on an ex-entitlement basis	Wednesday, 12 May 2021
Latest time for lodging transfers of the Shares in order for the transferees to qualify for the Rights Issue.....	4:30 p.m. on Thursday, 13 May 2021
Closure of register of members to determine the entitlements to the Rights Issue.....	Friday, 14 May 2021 to Thursday, 20 May 2021 (both days inclusive)
Record Date for the Rights Issue	Thursday, 20 May 2021

EXPECTED TIMETABLE

Events	Time and Date
Re-opening of the register of members of the Company	Friday, 21 May 2021
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Friday, 21 May 2021
First day of dealings in nil-paid Rights Shares	Tuesday, 25 May 2021
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Thursday, 27 May 2021
Last day of dealings in nil-paid Rights Shares	Tuesday, 1 June 2021
Latest Time for Acceptance.....	4:00 p.m. on Friday, 4 June 2021
Announcement of the number of the Untaken Shares subject to the Placing.....	Monday, 7 June 2021
Commencement of the Placing Period (if there are any Untaken Shares available)	Tuesday, 8 June 2021
Placing End Date for placing the Placing Shares	4:00 p.m. on Wednesday, 9 June 2021
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date.....	4:00 p.m. on, Thursday, 10 June 2021
Rights Issue Settlement Date and Placing completion date	Thursday, 10 June 2021
Announcement of the results of the Rights Issue, the application for excess Rights Shares and the Placing	Thursday, 10 June 2021
Despatch of share certificates for the Rights Shares and/or refund cheques	Friday, 11 June 2021
First day of dealings in the fully-paid Rights Shares, and if applicable, the Placing Shares	9:00 a.m. on Tuesday, 15 June 2021

EXPECTED TIMETABLE

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance 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, 4 June 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 Friday, 4 June 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 Latest Time for Acceptance does not take place on Friday, 4 June 2021, the dates mentioned in the expected timetable may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



(formerly known as China LotSynergy Holdings Limited 華彩控股有限公司*)
(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

Executive Directors:

Ms. CHAN Tan Na, Donna
Mr. WU Jingwei
Mr. LI Zi Kui
Ms. ZHU Xinxin

Registered Office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Independent Non-executive Directors:

Mr. HUANG Shenglan
Mr. CHAN Ming Fai
Mr. CUI Shuming

*Head office and principal place
of business:*

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

14 April 2021

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, 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 Placing, the Set-Off and the Whitewash Waiver; (iii) a letter of advice from Gram Capital to the

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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.

PROPOSED RIGHTS ISSUE

The Board proposed 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. Set out below are the details of the Rights Issue statistics.

Rights Issue Statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) existing Share held by the Shareholders as at 5:00 p.m. on the Record Date on a non-underwritten basis
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,029,480,733 Shares
Maximum number of Rights Shares:	2,058,961,466 Rights Shares (assuming there is no change in the total number of issued Shares up to and including the Record Date), representing (i) 200.00% of the issued share capital of the Company as at the Latest Practicable Date; 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 Rights Shares (assuming there is no change in the total number of issued Shares 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 Latest Practicable Date; 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.
Number of Rights Shares being undertaken by Ms. Lau:	800,000,000 Rights Shares
Gross proceeds to be raised from the Rights Issue:	From approximately HK\$80.00 million to approximately HK\$220.75 million

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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 Latest Practicable Date.

The Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, payable in full by a Qualifying Shareholder 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.

The Subscription Price represents:

- (i) a discount of approximately 10.71% to the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 29 January 2021, being the date on which the Subscription Price is fixed;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) a discount of approximately 12.28% to the theoretical ex-entitlement price of approximately HK\$0.114 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 Rights Shares;
- (viii) 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

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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 Subscription Price is fixed of HK\$0.156 per Share);

- (ix) a discount of approximately 56.33% to the audited 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 Latest Practicable Date;
- (x) a discount of approximately 37.11% to the unaudited 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 Latest Practicable Date; and
- (xi) a premium of approximately HK\$0.188 over the audited consolidated net liability value per Share attributable to the Shareholders as at 31 December 2020 of approximately HK\$0.088 per Share calculated based on the audited consolidated net liabilities of the Group attributable to the Shareholders of approximately HK\$91,058,000 as at 31 December 2020 as set out in the 2020 Annual Results Announcement and 1,029,480,733 Shares in issue as at the Latest Practicable Date.

Knight Frank Petty Limited (the independent valuer in respect of the property of the Group in Hong Kong) and Prudential Surveyors (Hong Kong) Limited (the independent valuer in respect of the property of the Group in the PRC) confirm that the valuations of the properties of the Group in Hong Kong and the PRC as at 31 December 2020 are the same as those as at 28 February 2021. As a result, no further adjustment is required to be made on the audited consolidated net liabilities of the Group attributable to the Shareholders in light of the valuations of the properties of the Group in Hong Kong and the PRC as at 28 February 2021. Please refer to Appendices III and IV to this circular for the valuation reports of the properties of the Group in Hong Kong and the PRC as at 28 February 2021, respectively.

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

The aggregate par value of the Rights Shares will, depending on the level of subscription of the Rights 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 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.

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The legal adviser of the Company as to Bermuda law has confirmed that there are no applicable statutory requirements under the Companies Act 1981 of Bermuda regarding minimum subscription levels in respect of the Rights Issue.

Overall fundraising plan of the Company

In addition to the Rights Issue, the Company also proposes to conduct the 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 circular.

In order to facilitate the issue of the Rights Shares and Placing Shares under the Rights Issue and the Placing, 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 circular.

The Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. The terms of the Rights Issue and the Placing, including the Subscription Price and the Placing Price, were determined by the Board with reference to (i) the prevailing market conditions for the Group’s principal business; (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 Rights Issue, the Placing and the Set-Off and the Use of proceeds” in this circular.

In determining the Subscription Price, the Board has considered in particular (i) the recent and general downward trend of the market price of the Shares in January 2021 (from the highest of approximately HK\$0.217 per Share to the lowest of approximately HK\$0.139 prior to the Last Trading Day) and the low trading volume and infrequent trading 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 31 December 2020 and 31 December 2019; (iv) the adverse effect of the COVID-19 pandemic on the Chinese lottery market and policy adjustments of the Chinese government which resulted in the deterioration of the business performance of the Group; and (v) the pressing financial needs of the Group in the near-term. The Chinese lottery market was severely hard-hit in 2020 by (i) the continuing prohibition of online and telephone lottery tickets sales; (ii) the suspension of video lottery sales in 2020; (iii) the implementation of policies by the PRC government which tightened the regulation of high frequency games and single match games and emphasised public welfare and social responsibility of the State’s lottery; and (iv) the outbreak of COVID-19 which, among others, resulted in global football and basketball tournaments being suspended, thereby heavily affecting the performance of the Chinese sports lottery market. The Chinese lottery market experienced the longest market closure in its recent history, with a 49-day suspension of all operation of physical lottery stores from the end of January 2020 and lottery sales in China plummeted by approximately 21% year-on-year in 2020, thereby affecting the business performance of the Group. Although the Subscription Price represents a significant discount to the benchmarked price of approximately HK\$0.156 per Share (as defined under Rule 7.27B of the Listing Rules) and net asset value of the Company per Share as at 30 June 2020, the Directors (including the independent non-executive Directors, whose opinion is set forth in the “Letter from the Independent Board

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Committee” in this circular after taking into account the advice of Gram Capital) consider that, in view of the prevailing market conditions and other factors as described above, setting the Subscription Price at such a significant discount would help attract the Qualifying Shareholders to participate in the Rights Issue 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 but including members of the Independent Board Committee, whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular after taking into account the advice of Gram Capital) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Conditions of the Rights Issue

The Rights Issue 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 of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Rights Issue 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 Rights Issue, including the allotment and issue of the Rights Shares in their nil- paid 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;
- (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;

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- (vii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights 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 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 Rights Issue Settlement Date (as the case may be), the Rights Issue will not proceed.

As at the Latest Practicable Date, none of conditions (i) to (viii) above has been fulfilled, and in respect of condition (ix) above, the Directors were not aware of any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda in relation to the Rights Issue which have to be complied with.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the 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 Thursday, 13 May 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.

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Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of two (2) Rights Shares for every one (1) existing 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 provisional allotment of Rights Shares should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar at or before the Latest Time for Acceptance (i.e. 4:00 p.m. on Friday, 4 June 2021).

Rights of Overseas Shareholders

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders were as follows:

Jurisdiction of the registered address of the Overseas Shareholders	Number of Overseas Shareholders	Number of Shares held
Australia	6	3,591
PRC	2	7,593,164
United Kingdom	5	1,265
India	2	340
Singapore	1,288	703,238

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the legal advice from the legal advisers as to the laws of Australia, the PRC, the United Kingdom, India and Singapore and having considered the circumstances, the Directors are of the view that it is necessary or expedient not to offer the Rights Shares (in their nil-paid and fully paid forms) to Overseas Shareholders with registered addresses in PRC due to the time and costs involved in the registration or filing of the Prospectus Documents and/or approval required by the relevant authorities in the PRC and/or additional steps the Company and/or Overseas Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in the PRC.

Thus, for the purposes of the Rights Issue, the Non-Qualifying Shareholders are (i) any Shareholder(s) whose name(s) appeared in the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in the PRC and (ii) any Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise

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known by the Company to be residents in the PRC (and, as applicable and to the extent of any such Beneficial Owner's interests, the Shareholder(s) in whose name(s) such Beneficial Owner's Shares are registered).

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. The relevant Rights Shares which would otherwise have been available to the Non-Qualifying Shareholders will form the Rights Shares available for excess applications.

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 renounees 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 Rights Issue, 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 Rights 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 Rights Shares

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

Applications for the excess Rights 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 Rights Shares being applied for, with the Registrar.

The Directors will allocate any excess Rights Shares (including where the aggregate number of Rights Shares available for excess application is less than the aggregate number of excess Rights Shares applied for through EAFs) at their discretion on a fair and equitable basis 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

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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 topping- up odd lot holdings to whole board lot holdings.

If the aggregate number of Rights Shares available for excess application is greater than the aggregate number of excess Rights 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 Rights 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 Thursday, 13 May 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 Thursday, 13 May 2021. The register of members of the Company will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021 (both days inclusive).

Share certificates and refund cheques for the Rights Shares

Subject to fulfilment of the conditions, and the proceeding, of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted by Friday, 11 June 2021 to those entitled to them at their registered addresses by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Friday, 11 June 2021 to the applicants at their registered addresses by ordinary post at their own risk.

Application for listing and dealing arrangements of the Rights Shares

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

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

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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.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

THE IRREVOCABLE UNDERTAKING BY MS. LAU

As at the Latest Practicable Date, Ms. Lau was the beneficial owner of a total of 91,509,437 Shares, representing approximately 8.89% of the total number of issued Shares.

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 not to, 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

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- (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, apply and pay for, or procure the application 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, 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; and (2) all Entitlement Shares provisionally allotted to her.

Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date, the maximum number of excess Rights Shares which Ms. Lau may apply for shall be 1,875,942,592 Rights Shares.

Assuming there is no change in the total number of issued Shares from the Latest Practicable Date 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 Rights Shares which Ms. Lau may apply for shall be 2,024,522,592 Rights Shares.

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 Rights Issue.

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, places to subscribe for the Placing Shares (i.e. the Undertaken 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.

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.

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.

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- 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 Tuesday, 8 June 2021, and end on the Placing End Date (i.e. 4:00 p.m. on Wednesday, 9 June 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.
- Placees : the Placing Agent shall use its reasonable endeavours to 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 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. As at the Latest Practicable Date, the Placing Agent has identified certain potential placees who are interested in subscribing for the Placing Shares.

Placing Shares

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

Assuming (i) there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date; and (ii) no Qualifying Shareholder (other than Ms. Lau, who subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking) subscribes for any Rights 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 Latest Practicable Date 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, who subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking) subscribes for any Rights 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 Rights Shares and the Placing Shares.

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Placing Price

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

- (i) a discount of approximately 10.71% to the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 29 January 2021, being the date on which the Subscription Price is fixed;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) a discount of approximately 12.28% to the theoretical ex-entitlement price of approximately HK\$0.114 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 Rights Shares and the Placing Shares;
- (viii) 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);
- (ix) a discount of approximately 56.33% to the audited 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 Latest Practicable Date;
- (x) a discount of approximately 37.11% to the unaudited 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

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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 Latest Practicable Date; and

- (xi) a premium of approximately HK\$0.188 over the audited consolidated net liability value per Share attributable to the Shareholders as at 31 December 2020 of approximately HK\$0.088 per Share calculated based on the audited consolidated net liabilities of the Group attributable to the Shareholders of approximately HK\$91,058,000 as at 31 December 2020 as set out in the 2020 Annual Results Announcement and 1,029,480,733 Shares in issue as at the Latest Practicable Date.

Knight Frank Petty Limited (the independent valuer in respect of the property of the Group in Hong Kong) and Prudential Surveyors (Hong Kong) Limited (the independent valuer in respect of the property of the Group in the PRC) confirm that the valuations of the properties of the Group in Hong Kong and the PRC as at 31 December 2020 are the same as those as at 28 February 2021. As a result, no further adjustment is required to be made on the audited consolidated net liabilities of the Group attributable to the Shareholders in light of the valuations of the properties of the Group in Hong Kong and the PRC as at 28 February 2021. Please refer to Appendices III and IV to this circular for the valuation reports of the properties of the Group in Hong Kong and the PRC as at 28 February 2021, respectively.

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 Rights Issue 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 for the Group's lottery business in China amid the COVID-19 pandemic; (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 Rights Issue, the Placing and the Set-Off and the Use of proceeds" in this circular; (v) the Subscription Price, the details of which are set out in the section headed "Overall fundraising plan of the Company" in this letter; 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 Rights Shares from their provisional allotments and excess applications under the Rights Issue. Should the Qualifying Shareholders (except for Ms. Lau) not participate in the Rights Issue 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 Subscription 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 Rights Issue at the Subscription Price. Therefore, although the Placing Price represents a significant discount to the benchmarked price of approximately HK\$0.156 per

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Share (as defined under Rule 7.27B of the Listing Rules) and net asset value of the Company per Share as at 30 June 2020, 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, 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 issue of the Placing Shares.

Conditions of the Placing

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 Rights Issue becoming unconditional.

None of the above conditions of the Placing is capable of being waived in whole or in part by the Placing Agent or the Company. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Tuesday, 8 June 2021, being the second Business Day following the day on which the Latest Time for Acceptance falls, or such other date as the Company may announce. The Placing Period shall end on Wednesday, 9 June 2021, being the third Business Day following the day on which the Latest Time for Acceptance, 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 Thursday, 10 June 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

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

Completion of the Placing

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

In the event any of the conditions of the Placing (other than condition (i)) is not satisfied on or before the expiry of the Specific Mandate (i.e. three months from the date of the SGM), the Company will re-comply with the relevant Listing Rules requirements (including obtaining shareholders’ approval of the Specific Mandate).

CONNECTED TRANSACTION IN RELATION TO THE SET-OFF

The Set-Off

Pursuant to the Amended Loan Agreement, Ms. Lau had advanced to the Borrower the Shareholder’s Loan in the principal amount of HK\$50,000,000. The Shareholder’s Loan was used for repayment of instalment payments under a mortgage loan and payment of office expenses, including salaries of the Group’s staff for the period from January 2020 to October 2020. As at the Latest Practicable Date, the entire principal amount of the Shareholder’s Loan remained outstanding. The Shareholder’s Loan is unsecured, bearing an interest of 9.5% per annum and will fall due on 20 January 2022.

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 Settlement 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.

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 Rights 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,

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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.

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 Latest Practicable Date up to and including the Rights Issue Completion:

- (i) in the event that Ms. Lau validly applies for, and is allocated, all Entitlement Shares and 316,981,126 excess Rights 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 provisional allotments under the Rights Issue, the Placing, the Set-Off Amount will be at the minimum of HK\$18,301,887.40.

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 the Group intends to continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

Ms. Lau is an entrepreneur, a substantial Shareholder, and the founder of the Group. She was the chairperson of the Board, an executive Director and the chief executive officer of the Company until September 2017. Ms. Lau has over 30 years of solid experience in business planning and management, mergers and acquisitions, and financial and human resources management.

Reasons for and Benefits of the Set-Off

The Directors (excluding Ms. Chan, but including members of the Independent Board Committee whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular after taking into account the advice of Gram Capital) are of the view that although the amount of subscription monies under the Rights Issue being subject to the Set-Off might otherwise be available to the Group for other corporate purposes, the Set-Off will enable the Group not only to repay, in full or in part, the Shareholder's Loan before maturity and reduce its gearing level without cash outflow, but also to save on the interest payment that would be accrued upon the outstanding Shareholder's Loan from the Rights Issue Settlement Date to the maturity date. Accordingly, such Directors consider the Set-Off to be fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

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REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE SET-OFF AND THE USE OF PROCEEDS

As disclosed in the section headed “Information on the Group and Ms. Lau” of this circular, 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\$75.20 million. Such loss was mainly due to the decrease in sales of lottery terminals and related equipment of approximately HK\$22.26 million and a decrease of approximately HK\$15.10 million in revenue from lease income from operating leases, which was as a result of the ongoing novel coronavirus pneumonia 2019 (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\$211.52 million. However, as at 30 June 2020, the Company had cash and bank balances of only HK\$53.91 million.

As disclosed in the 2020 Annual Results Announcement, the Group continued to record audited net loss of approximately HK\$623.92 million and audited net liabilities attributable to owners of the Company of approximately HK\$91.06 million for FY2020. HLB Hodgson Impey Cheng Limited, the auditors of the Company, noted in its independent auditors’ reports for FY2019 and FY2020 that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Further details are set out in Appendix I to this circular.

As at the Latest Practicable Date, the Group’s current liabilities mainly included (i) the unsecured Shareholder’s Loan with a total outstanding principal amount of HK\$50,000,000; (ii) the New Option 1 Bonds in the aggregate principal amount of HK\$148,580,000 where the second instalment of repayment of approximately HK\$26.22 million will be due in May 2021 (or such other date(s) as the Company and the Bondholders may agree); and (iii) a bank loan with a total outstanding amount of HK\$201.50 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 Rights Issue. Assuming a maximum of 2,207,541,466 Rights Shares and a minimum of 800,000,000 Rights Shares will be issued, the estimated gross proceeds of the Rights Issue will range from a maximum of approximately HK\$220.75 million to a minimum of approximately HK\$80.00 million. The estimated expenses in relation to the Rights Issue to be borne by the Company will amount to approximately HK\$6.50 million and the estimated net proceeds of the Rights Issue will range from a maximum of approximately HK\$214.25 million to a minimum of approximately HK\$73.50 million (assuming there is no change in the total number of issued Shares up to and including the Record Date and only Ms. Lau subscribes for the Undertaken Shares under the Irrevocable Undertaking). The net subscription price per Rights Share is expected to be a maximum of approximately HK\$0.097 and a minimum of approximately HK\$0.092.

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In the event that the maximum net proceeds of approximately HK\$214.25 million is raised, (i) approximately HK\$90.00 million (or approximately 42.01% of the maximum net proceeds) will be used towards the second repayment of the New Option 1 Bonds in May 2021 and the final repayment in part of the New Option 1 Bonds in November 2021 (or such other date(s) as the Company and the Bondholders may agree); (ii) approximately HK\$30.00 million (or approximately 14.00% of the maximum net proceeds) will be used towards the partial repayment of an existing bank borrowing (including interests) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group, which will fall due in June 2021; (iii) approximately HK\$50.00 million (or approximately 23.34% of the maximum net proceeds) will be used towards the Set-Off immediately upon the Rights Issue Settlement Date; and (iv) approximately HK\$44.25 million (or approximately 20.65% of the maximum net proceeds) will be used towards the general working capital of the Group, such as the payment of salaries and remuneration of the Group's staff, research and development expenses and cost of sales, within 2021, respectively. In the event that the minimum net proceeds of approximately HK\$73.50 million is raised, (i) approximately HK\$23.50 million (or 31.97% of the minimum net proceeds) will be used towards the repayment in part of the New Option 1 Bonds in May 2021 (or such other date(s) as the Company and the Bondholders may agree); and (ii) approximately HK\$50.00 million (or approximately 68.03% of the minimum net proceeds) will be used towards the Set-Off immediately upon the Rights Issue Settlement Date, respectively. Taking into account the financial resources available to the Group, including the estimated net proceeds from the Rights Issue and the Placing, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

As disclosed below, the Company has analysed alternative fundraising means and considered the Rights Issue and the Placing to be the most commercially acceptable and suitable fundraising option which is in the interest of the Company and its shareholders as a whole. In the event of an undersubscription or non-completion of the Rights Issue and/or the Placing, the Company would have to reassess those alternative fundraising methods available to the Group, including obtaining debt financing (such as bank borrowings or by issuance of bonds) and other equity financing (such as placing of shares or convertible securities under general or specific mandate) from the substantial shareholder, the banks or other financial institutions or other independent third party investors, to finance the intended use of proceeds specified above, and/or to consider seeking refinancing of existing debt. Depending on the market condition and the business and financial condition of the Group at that time and the results of negotiations with the provider of the financing, the Group may or may not pursue a fundraising option on the same terms of the Rights Issue and Placing.

As at the Latest Practicable Date, the outstanding principal amount of the New Option 1 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. Subject to any extension which the Company and the Bondholders may agree, 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 arrears on the New Option 1 Bonds Maturity Date.

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

Tranche	Borrower	Lender	Interest rate	Maturity date	Outstanding balance of principal amount as at the Latest Practicable Date (HK\$)
1	Champ Technology Limited	Industrial Bank Co. Ltd., Hong Kong Branch	3-month HIBOR+5%	30 June 2021	78,500,000
2	Champ Technology Limited	Industrial Bank Co. Ltd., Hong Kong Branch	1-month HIBOR+9%	30 June 2021	130,000,000

The Company has considered alternative fundraising means. As regards debt financing, the Company has approached five 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. Given 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 Rights Issue 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 Rights Issue. 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 Rights Issue, together with the Placing, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

The Company had approached five brokerage companies (including the Placing Agent) to explore their interest in participating in the underwriting of the Rights Issue. None of such brokerage companies indicated their willingness, nor were they responsive, in participating in the underwriting of the Rights Issue 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.

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As disclosed above, there are several impending repayment obligations which the Company is required to satisfy in the next six 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 Rights Issue on a non-underwritten basis and to conduct the Placing alongside the Rights Issue in order to implement its fundraising plan. The Rights Issue and Placing will enable the Group to secure funding if the level of subscription of the Rights Issue is low.

Should the Rights Shares not be subscribed for by the Qualifying Shareholders through their provisional allotments 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 Rights 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 Subscription 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 but including members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular after taking into account the advice of Gram Capital) consider that the Rights Issue 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 Rights Issue and the Placing are fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders in respect of the Rights Issue and the Set-Off) as a whole.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE LATEST PRACTICABLE DATE

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 in respect of, among other things, the maturity date and the repayment schedule of the New Option 1 Bonds, details of which were disclosed in the announcements of the Company dated 23 April 2020 and 28 April 2020 respectively, the Company had not carried out any equity fundraising activities in the 12 months immediately preceding the Latest Practicable Date.

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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 Latest Practicable Date and (ii) immediately after the Rights Issue Completion assuming (1) there is no change in the issued share capital of the Company from the Latest Practicable Date and up to and including the Record Date; and (2) there is no change in the total number of issued Shares from the Latest Practicable Date 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 Latest Practicable		Immediately upon the Rights Issue Completion									
			Assuming full acceptance by all Qualifying Shareholders under the Rights Issue				Assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; and (b) all the excess Rights Shares are subscribed for by Ms. Lau				Assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking; and (c) all the Untaken Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	%	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	891,509,437	28.87	891,509,437	48.73		
<i>Parties acting in concert with Ms. Lau</i>												
Hang Sing Overseas Limited ^(Note 2)	7,505,287	0.73	22,515,861	0.73	7,505,287	0.24	7,505,287	0.24	7,505,287	0.41		
Strong Purpose Corporation ^(Note 3)	13,773,554	1.34	41,320,662	1.34	13,773,554	0.45	13,773,554	0.45	13,773,554	0.75		
Glory Add Limited ^(Note 4)	51,249,259	4.98	153,747,777	4.98	51,249,259	1.66	51,249,259	1.66	51,249,259	2.80		
Mr. Chan Shing ^(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		
Ms. Chan ^(Note 6)	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 Ms. Lau and parties acting in concert with her	204,222,179	19.84	612,666,537	19.84	2,263,183,645	73.28	1,004,222,179	32.52	1,004,222,179	54.89		
<i>Other Directors</i> ^(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 ^(Note 8)	110,000	0.01	330,000	0.01	110,000	0.00	110,000	0.00	110,000	0.01		
Mr. Cui Shuming ^(Note 8)	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	—	—	—	—	—	—	1,258,961,466	40.76	—	—		
Other public Shareholders	812,078,554	78.88	2,436,235,662	78.88	812,078,554	26.29	812,078,554	26.29	812,078,554	44.39		
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		

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II. Assuming there is no change in the total number of issued Shares from the Latest Practicable Date 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 Latest Practicable Date		Assuming full acceptance by all Qualifying Shareholders under the Rights Issue		Assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; and (b) all the excess Rights Shares were subscribed for by Ms. Lau		Immediately upon the Rights Issue Completion Assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking; and (c) all the Untaken Shares were placed to Independent Third Parties under the Placing		Assuming (a) no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; (b) Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking; and (c) no Independent Third Parties took up the Untaken Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Ms. Lau ^(Note 1) <i>Parties acting in concert with Ms. Lau</i>	91,509,437	8.89	274,528,311	8.29	2,299,050,903	69.42	891,509,437	26.92	891,509,437	46.83
Hang Sing Overseas Limited ^(Note 2)	7,505,287	0.73	22,515,861	0.68	7,505,287	0.23	7,505,287	0.23	7,505,287	0.39
Strong Purpose Corporation ^(Note 3)	13,773,554	1.34	41,320,662	1.25	13,773,554	0.42	13,773,554	0.42	13,773,554	0.72
Glory Add Limited ^(Note 4)	51,249,259	4.98	153,747,777	4.64	51,249,259	1.55	51,249,259	1.55	51,249,259	2.69
Mr. Chan Shing ^(Note 5)	24,248,642	2.36	75,745,926	2.20	24,248,642	0.73	24,248,642	0.73	24,248,642	1.27
Ms. Chan ^(Note 6)	15,936,000	1.54	47,808,000	1.44	15,936,000	0.48	15,936,000	0.48	15,936,000	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	52.74
<i>Other Directors</i> ^(Note 7 and 10)										
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 ^(Note 8)	110,000	0.01	330,000	0.01	110,000	0.00	110,000	0.00	110,000	0.01
Mr. Cui Shuming ^(Note 8)	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	1.19	13,180,000	0.40	13,180,000	0.40	13,180,000	0.70
Independent placees Holder of New Option 1 Bond	—	—	—	—	—	—	1,407,541,466	42.50	—	—
Other public Shareholders	812,078,554	78.88	2,436,235,662	73.58	812,078,554	24.53	812,078,554	24.53	812,078,554	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

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, 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, was 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. As at the Latest Practicable Date, Hang Sing Overseas Limited was wholly owned by Orient Strength Limited, which was 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.
3. As at the Latest Practicable Date, Strong Purpose Corporation was 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. As at the Latest Practicable Date, Glory Add Limited was wholly owned by Favor King Limited, which was 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 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 Director of the Company with effect from 18 June 2019 by the Board on 18 June 2019 in accordance with bye-law 102(B) of the Company. Ms. Zhu is not a party acting in concert with Ms. Lau.
10. Save for Ms. Chan, each of the Directors confirm that he/she is not involved in the discussion and negotiation in respect of the Rights Issue, the Placing, 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 Latest Practicable Date 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 Latest Practicable Date to approximately 42.66% upon the Rights Issue Completion.

LETTER FROM THE BOARD

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.

INTENTION OF MS. LAU

As at the Latest Practicable Date:

- (a) Ms. Lau intended for the Group to continue its current business;
- (b) Ms. Lau had no intention to introduce any major changes to the Group's existing business (including redeployment of the fixed assets of the Group other than in its ordinary course of business) or terminate the continued employment of the employees of the Group; and
- (c) Ms. Lau had no intention to inject any new business/assets to the Group.

Ms. Lau considers the Rights Issue is favourable to the Group as the Group will be able to strengthen its capital base and to enhance its financial position.

On the basis of Ms. Lau intention set out above, the Directors are of the view that the continuity of the Group's business can be maintained upon the Rights Issue Completion as before.

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 total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the 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.

To the best information and knowledge of the Directors after making all reasonable enquiries, the Company had no controlling Shareholder as at the Latest Practicable Date. Accordingly, Ms. Chan, Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin, each being an executive Director, and their respective associates shall abstain from voting in respect of the resolution relating to the Rights Issue at the SGM in compliance with Rule 7.27A(1) of the Listing Rules.

The Placing

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

LETTER FROM THE BOARD

The Set-Off

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

As at the Latest Practicable Date, Ms. Lau and parties acting in concert with her were 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 Latest Practicable Date 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 taken up 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 Latest Practicable Date 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 taken up 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 Latest Practicable Date 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 taken up 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.

LETTER FROM THE BOARD

Assuming (i) there is no change in the total number of issued Shares from the Latest Practicable Date 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 taken up 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 52.74% 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.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among others, the approval of the Independent Shareholders of the Whitewash Waiver and Rights Issue at the SGM by way of poll in accordance with the requirements 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 Rights Issue and the Set-Off 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, the Rights Issue or the Set-Off is not approved by the Independent Shareholders, the Rights Issue and the Set-Off (and Placing) will not proceed.

As disclosed above, the maximum potential controlling holding of the Company's voting rights to be held by Ms. Lau and parties acting in concert with her is approximately 73.28%. As such maximum potential holding exceeds 50% of the Company's voting rights upon the Rights Issue Completion, Ms. Lau and parties acting in concert with her may increase their holding of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after the Rights Issue Completion.

As at the Latest Practicable Date, the Company did not believe that the Rights Issue gives 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 Rights Issue does not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

As at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Effect of the Rights Issue on the shareholding structure of the Company” in this letter, 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) save for the Irrevocable Undertaking given by Ms. Lau, details of which are set out in the section headed "The Irrevocable Undertaking" of this circular, 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 during the Relevant Period;
- (iii) none of Ms. Lau or parties acting in concert with her has received any irrevocable commitment to accept the Rights Issue;
- (iv) save for the Irrevocable Undertaking given by Ms. Lau, 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 Rights Issue and/or the Whitewash Waiver;
- (v) save for the Rights Issue being conditional upon obtaining of the Whitewash Waiver by Ms. Lau as set out in the section headed “Conditions of the Rights Issue” of this circular, 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 Rights Issue 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) save for the consideration to be payable or offset under the Set-Off Deed for the Rights 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 Rights Issue and/or the Whitewash Waiver;
- (viii) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) Ms. Lau or parties acting in concert with her on one hand; and (2) the Company on the other hand; and

LETTER FROM THE BOARD

- (ix) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder on one hand; and (2) the Company, its subsidiaries or associated companies on the other hand.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the Company had 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 had been issued and were 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 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.

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 (i) 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 or (ii) otherwise than as mentioned in (i) above (other than Shares issued on the exercise of the conversion rights under the New Option 1 Bonds or any other rights of conversion into, or exchange or subscription for, 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.

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.

LETTER FROM THE BOARD

SGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

The SGM will be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 10 May 2021 at 11:00 a.m. 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 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.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed on the form and deposit the same at the principal place of business of the Company at Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong or at the office of the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (i.e. 11:00 a.m. on Saturday, 8 May 2021 (Hong Kong time) before the time scheduled for the holding of the SGM or any adjournment of SGM (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment of the SGM (as the case may be).

As at the Latest Practicable Date, 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 Listing Rules, no other Shareholder is involved in or interested in the Rights Issue, the Placing, 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 Placing, the Set-Off and/or the Whitewash Waiver at the SGM.

Subject to the approval by Independent Shareholders at the SGM, 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

LETTER FROM THE BOARD

the PAL and EAF on or before Friday, 21 May 2021. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.chinalotsynergy.com>) and the Stock Exchange (<https://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.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders and potential investors of the Company should note that the Rights Issue, the Placing and the Set-Off are conditional upon, among others, conditions set out in the section headed “Conditions of the Rights Issue”, “Conditions of the Placing” and “Connected Transaction in relation to the Set-Off” in this circular, respectively. Accordingly, the Rights Issue and/or the Placing and/or the Set-Off may or may 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 dealings in the Shares up to the date on which all the conditions of the Rights Issue, the Placing and the Set-Off are fulfilled, which is expected to be 4:00 p.m. on the Rights Issue Settlement Date, will bear the risk that the Rights Issue and/or the Placing 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 4 May 2021 to Monday, 10 May 2021 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM and from Friday, 14 May 2021 to Thursday, 20 May 2021 (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to the Rights Issue. No transfer of the Shares may be registered during the said periods. In order for the transferees to be registered as members of the Company by 5:00 p.m. on the record date for attending and voting at the SGM and 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, Wanchai, Hong Kong, by 4:30 p.m. on Monday, 3 May 2021 and 4:30 p.m. on Thursday, 13 May 2021, respectively.

RECOMMENDATION

You are advised to read carefully (i) the letter from the Independent Board Committee set out on pages 46 to 47 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders; and (ii) the letter from Gram Capital, set

LETTER FROM THE BOARD

out on pages 48 to 70 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver.

The Directors (excluding Ms. Chan, who is required to abstain from voting but including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that (i) the Rights Issue 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; (ii) the Set-Off will enable the Group to repay, in full or in part, the Shareholder's Loan without cash outflow and allow the Group to reduce its gearing level and save on the interest payment that would be accrued upon the outstanding Shareholder's Loan from the Rights Issue Settlement Date to the maturity date; and (iii) the approval of the Whitewash Waiver is a prerequisite for the Rights Issue Completion and the Set-Off. Therefore, the Rights Issue, the Placing, the Set-Off and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver) as a whole. The Board also considers the Increase in Authorised Share Capital is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends you vote in favour of the resolution in respect of the Rights Issue, the Placing, the Set-Off, the Whitewash Waiver and the Increase in Authorised Share Capital to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I, Appendix II, Appendix III, Appendix IV and Appendix V to this circular.

By order of the Board
China Ecotourism Group Limited
CHAN Tan Na, Donna
Chairperson

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue, the Set-Off and the Whitewash Waiver.



(formerly known as China LotSynergy Holdings Limited 華彩控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

14 April 2021

To the Independent Shareholders

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS
(II) PROPOSED CONNECTED TRANSACTION IN RELATION TO THE SET-OFF
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

Dear Sir or Madam,

We refer to the circular of the Company dated Wednesday, 14 April 2021 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Set-Off and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and (ii) whether to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Rights Issue, the Set-Off and the Whitewash Waiver.

We wish to draw your attention to (i) the letter of advice from Gram Capital, the details of which (including the principal factors and reasons that have been taken into consideration by Gram Capital) are set out on pages 48 to 70 of the Circular; and (ii) the letter from the Board as set out on pages 13 to 45 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue, the Set-Off and the Whitewash Waiver and the principal factors and reasons considered by and the opinion of Gram Capital as set out in its letter of advice, we consider that the terms of the Rights Issue, the Set-Off and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders vote in favour of the resolutions to approve the Rights Issue, the Set-Off and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. HUANG Shenglan
*Independent non-executive
Director*

Mr. CHAN Ming Fai
*Independent non-executive
Director*

Mr. CUI Shuming
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Set-Off and the Whitewash Waiver for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

14 April 2021

*To: The independent board committee and the independent shareholders
of China Ecotourism Group Limited (formerly known as China LotSynergy Holdings
Limited)*

Dear Sir/Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
(II) PROPOSED CONNECTED TRANSACTION IN RELATION TO THE SET-OFF;
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment 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, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 April 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Board proposed 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 Latest Practicable Date 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). 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.

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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.

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, places 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.

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 in the principal amount of HK\$50,000,000 by offsetting the outstanding balance of the Shareholder's Loan as at the Rights Issue Settlement 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.

With reference to the Board Letter, (i) in accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, the Rights Issue is conditional upon the minority Shareholders' approval of at the SGM; and (ii) the Set-Off constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to Independent Shareholders' approval at the SGM.

According to the Board Letter, as at the Latest Practicable Date, 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. In certain circumstances as set out in the section headed "TAKEOVERS CODE IMPLICATIONS" of the Board Letter, 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. An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional

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upon, among others, the approval of the Independent Shareholders of the Whitewash Waiver, Rights Issue and the Set-Off at the SGM by way of poll in accordance with the requirements of the Takeovers Code. 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 Rights Issue and the Set-Off 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, the Rights Issue or the Set-Off is not approved by the Independent Shareholders, the Rights Issue and the Set-Off (and Placing) will not proceed.

The Independent Board Committee comprising Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Rights Issue and the Set-Off are on normal commercial terms and are fair and reasonable; (ii) whether the Rights Issue and the Set-Off are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; (iii) how to vote in relation to the Rights Issue and the Set-Off at the SGM; and (iv) whether the Whitewash Waiver is fair and reasonable and as to the voting of the Whitewash Waiver. We, Gram Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's connected transaction and application for whitewash waiver, details of which are set out in the Company's announcement dated 9 October 2020 (note: with reference to the Company's announcement dated 20 January 2021, the connected transaction was terminated and the whitewash waiver was no longer required). Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its

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advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue, the Set-Off and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps (such as review of relevant agreements/documents in relation to the Rights Issue, the Set-Off and the Whitewash Waiver; and analysis on the Group's financial performance and on the terms of the Rights Issue) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "RESPONSIBILITY STATEMENT" of Appendix V to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Ms. Lau, the Borrower or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue, the Set-Off and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, the Set-Off and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

A. THE RIGHTS ISSUE AND THE SET-OFF

Information on the Group

With reference to in the Board Letter, 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 ("CTG") and KENO-type lottery to new media lottery, and the Group intends to continue to explore and develop other potential businesses, including natural and healthy food business and trading business.

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Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2020 Annual Results Announcement:

	FY2020	FY2019	Year-on-year change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	(audited)	(audited)	
Revenue	118,563	154,354	(23.19)
— <i>Lottery systems, terminal equipment and related products</i>	<i>110,497</i>	<i>152,231</i>	<i>(27.41)</i>
— <i>Natural and health food</i>	<i>8,066</i>	<i>2,123</i>	<i>279.93</i>
Gross profit	27,515	61,492	(55.25)
Loss for the year	(623,913)	(550,100)	13.42

As depicted from the above table, the Group recorded revenue and gross profit of approximately HK\$118.56 million and HK\$27.52 million respectively for FY2020, representing a decrease in revenue of approximately 23.19% and a decrease in gross profit of approximately 55.25% as compared to those for FY2019. With reference to the 2020 Annual Results Announcement and as confirmed by the Directors, such decreases were due to the decrease in revenue from lottery systems, terminal equipment and related products business.

The Group recorded loss of approximately HK\$623.92 million for FY2020, representing an increase of approximately 13.42% as compared to that for FY2019. With reference to the 2020 Annual Results Announcement and as confirmed by the Directors, such increase in loss was mainly due to the increase in impairment of goodwill and other intangible assets.

With reference to the 2020 Annual Results Announcement, as at 31 December 2020, the Group had cash and bank balances, net current liabilities of approximately HK\$76.43 million, HK\$241.97 million and net liabilities attributable to owners of the Company of approximately HK\$91.06 million respectively.

With reference to the Appendix I to the Circular, HLB Hodgson Impey Cheng Limited, the auditors of the Company, noted in its independent auditors' reports for FY2019 and FY2020, the relevant extracts of which are set out in the Company's annual report for FY2019 and the 2020 Annual Results Announcement, respectively, that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The opinion of the auditors in respect of FY2019 and FY2020 is not modified in respect of this matter. For further details, please refer to Appendix I to the Circular.

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Information on Ms. Lau

With reference to the Board Letter, Ms. Lau is an entrepreneur, a substantial Shareholder, and the founder of the Group. She was the chairperson of the Board, an executive Director and the chief executive officer of the Company until September 2017. Ms. Lau has over thirty years of solid experience in business planning and management, mergers and acquisitions, and financial and human resources management.

Reasons for the Rights Issue and the Set-Off

With reference to the section above, the Group recorded loss of approximately HK\$623.92 million for FY2020. Upon our further review, we noted that the Group recorded loss for six consecutive financial years since the year ended 31 December 2015. With reference to the 2020 Annual Results Announcement, the Group had net current liabilities of approximately HK\$241.97 million and net liabilities attributable to owners of the Company of approximately HK\$91.06 million as at 31 December 2020.

As mentioned in the Board Letter, there are several impending repayment obligations which the Company is required to satisfy. As at the Latest Practicable Date, the Group's current liabilities mainly included (i) the unsecured Shareholder's Loan with a total outstanding principal amount of HK\$50,000,000 (due on 20 January 2022 with an interest of 9.5% per annum); (ii) the New Option 1 Bonds in the aggregate principal amount of HK\$148.58 million where part the New Option 1 Bonds in the principal amount of approximately HK\$26.22 million will be due in May 2021 and the remaining outstanding principal amount of HK\$122.36 million will be payable on the New Option 1 Bonds Maturity Date on 7 November 2021 (or such other date(s) as the Company and the Bondholders may agree); and (iii) bank loan with a total outstanding amount of HK\$201.50 million which will fall due on 30 June 2021. As mentioned above, the Group only had cash and bank balances of approximately HK\$76.43 million as at 31 December 2020. Upon our further enquiry, the Directors also confirmed that the Group has insufficient internal resources as at the Latest Practicable Date to settle the aforesaid liabilities.

In light of the above, the Company intends to raise funds by way of the Rights Issue. The estimated net proceeds of the Rights Issue will range from a maximum of approximately HK\$214.25 million to a minimum of approximately HK\$73.50 million. In the event that the maximum net proceeds of approximately HK\$214.25 million is raised, (i) approximately HK\$90.00 million (or approximately 42.01% of the maximum net proceeds) will be used towards the second repayment of the New Option 1 Bonds in May 2021 and the final repayment in part of the New Option 1 Bonds in November 2021 (or such other date(s) as the Company and the Bondholders may agree); (ii) approximately HK\$30.00 million (or approximately 14.00% of the maximum net proceeds) will be used towards the partial repayment of an existing bank borrowing (including interests) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group, which will fall due in June 2021; (iii) approximately HK\$50.00 million (or approximately 23.34% of the maximum net proceeds) will be used towards the Set-Off immediately upon the Rights Issue Settlement Date; and (iv) approximately HK\$44.25

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million (or approximately 20.65% of the maximum net proceeds) will be used towards the general working capital of the Group, such as the payment of salaries and remuneration of the Group's staff, research and development expenses and cost of sales, within 2021, respectively. In the event that the minimum net proceeds of approximately HK\$73.5 million is raised, (i) approximately HK\$23.50 million (or 31.97% of the minimum net proceeds) will be used towards the repayment in part of the New Option 1 Bonds in May 2021 (or other date(s) as the Company and the Bondholders may agree); and (ii) approximately HK\$50.00 million (or approximately 68.03% of the minimum net proceeds) will be used towards the Set-Off immediately upon the Rights Issue Settlement Date, respectively.

Having considered (i) the financial condition of the Group (such as loss for six consecutive financial years and net current liabilities position and net liabilities attributable to owners of the Company as at 31 December 2020); and (ii) that the Group has insufficient internal resources as at the Latest Practicable Date to settle its impending repayment obligations, we are of the view that the use of proceeds from the Rights Issue (including the Set-off) is fair and reasonable.

As advised by the Directors, the Company considered alternative fundraising means:

- As regards debt financing, the Company approached different financial institutions. Taking into account the financial position of the Group (such as loss for six consecutive financial years and net current liabilities position and net liabilities attributable to owners of the Company as at 31 December 2020), the Company considered it challenging to obtain approval from such financial institutions. Given the financial market conditions in Hong Kong, the Directors are 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 considered (i) a sole placement of new Shares or an issue of convertible bonds; and (ii) an open offer. The Board considered 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.

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 considered that the Rights Issue, together with the Placing, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Taking into account the financial condition of the Group (such as loss for six consecutive financial years and net current liabilities position and net liabilities attributable to owners of the Company as at 31 December 2020) and that the one of the purposes of the fund-raising exercise is for repayment of the Group's liabilities, we

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consider that it would not be practical for the Group to raise fund through debt financing. Having also considered that the Rights Issue provides an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the Company's development, we concur with the Directors that the Rights Issue, together with the Placing, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

As further mentioned in the Board Letter, the Company approached various brokerage companies (including the Placing Agent) to explore their interest in participating in the underwriting of the Rights Issue. None of such brokerage companies indicated their willingness, nor were they responsive, in participating in the underwriting of the Rights Issue, save and except for the Placing Agent which expressed interest in acting as a placing agent and on a best effort basis only. As it had become critical for the Company 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 decided to conduct the Rights Issue on a non-underwritten basis and to conduct the Placing alongside the Rights Issue in order to implement its fundraising plan. The Rights Issue and Placing will enable the Group to secure funding if the level of subscription of the Rights Issue is low. Should the Rights Shares not be subscribed for by the Qualifying Shareholders through their provisional allotments and excess applications, the Untaken Shares would be placed through the Placing Agent.

Taking also into account (i) the aforesaid reasons for the Rights Issue; (ii) the use of proceeds from the Rights Issue being fair and reasonable; and (iii) the Company's consideration and attempt on alternative fundraising means as aforementioned, we consider that although the Rights Issue and the Set-Off are not in the ordinary and usual course of business of the Group, the Rights Issue (including its use of proceeds) and the Set-Off are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Board Letter:

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) existing Share held by the Shareholders as at 5:00 p.m. on the Record Date on a non-underwritten basis
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,029,480,733 Shares

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Maximum number of Rights Shares:	2,058,961,466 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date)
	2,207,541,466 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date 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)
Number of Rights Shares being undertaken by Ms. Lau:	800,000,000 Rights Shares
Gross proceeds to be raised from the Rights Issue:	From approximately HK\$80.00 million to approximately HK\$220.75 million

With reference to the Board Letter, 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, apply and pay for, or procure the application 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, 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; and (2) all Entitlement Shares provisionally allotted to her.

As confirmed by the Directors, 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 Rights Issue.

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For detailed terms of the Rights Issue, please refer to the section headed “PROPOSED RIGHTS ISSUE” of the Board Letter.

The Subscription Price

The Subscription Price represents:

- (i) a discount of approximately 10.71% to the closing price of HK\$0.112 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 30.07% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 29 January 2021, being the date on which the Subscription Price is fixed;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) a discount of approximately 12.28% to the theoretical ex-entitlement price of approximately HK\$0.114 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 Rights Shares;
- (viii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.72% 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 Subscription Price is fixed of HK\$0.156 per Share);
- (ix) a discount of approximately 56.33% to the audited consolidated net assets value per Share attributable to owners of the Company 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 owners of the Company of approximately

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HK\$235,583,000 as at 31 December 2019 as set out in the Company's annual report for FY2019 and 1,029,480,733 Shares in issue as at the Latest Practicable Date;

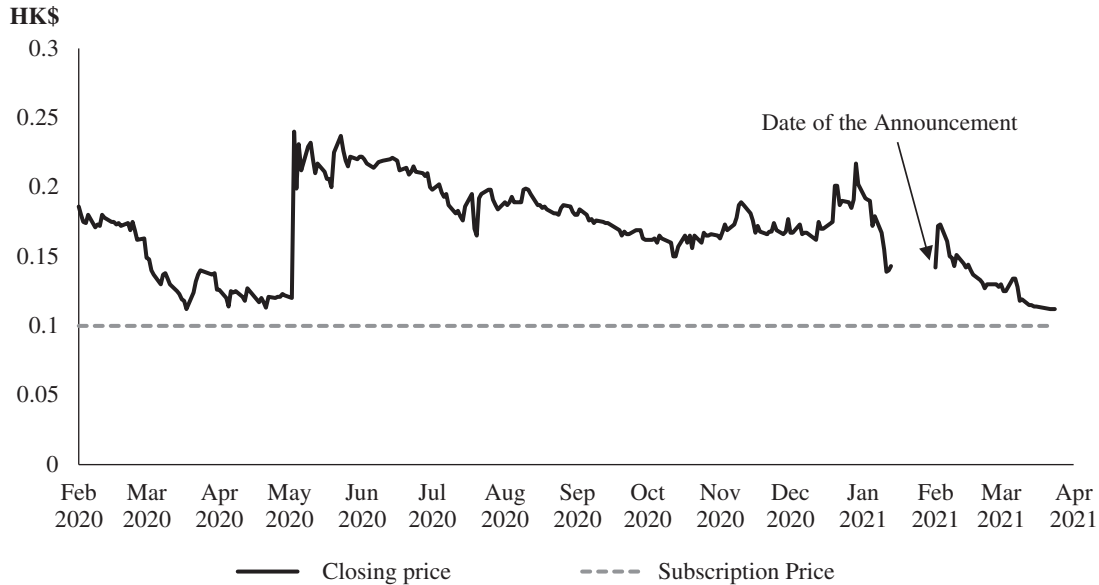
- (x) a discount of approximately 37.11% to the unaudited consolidated net assets value per Share attributable to owners of the Company as at 30 June 2020 of approximately HK\$0.159 per Share calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately 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 Latest Practicable Date; and
- (xi) a premium of approximately HK\$0.188 over the audited consolidated net liabilities value per Share attributable to owners of the Company ^(note) as at 31 December 2020 of approximately HK\$0.088 per Share calculated based on the audited consolidated net liabilities of the Group attributable to owners of the Company of approximately HK\$91,058,000 as at 31 December 2020 as set out in the 2020 Annual Results Announcement and 1,029,480,733 Shares in issue as at the Latest Practicable Date.

Note: According to the Board Letter, Knight Frank Petty Limited (the independent valuer in respect of the property of the Group in Hong Kong) and Prudential Surveyors (Hong Kong) Limited (the independent valuer in respect of the property of the Group in the PRC) confirm that the valuations of the properties of the Group in Hong Kong and the PRC as at 31 December 2020 are the same as those as at 28 February 2021. As a result, no further adjustment is required to be made on the audited consolidated net liabilities of the Group attributable to owners of the Company in light of the valuations of the properties of the Group in Hong Kong and the PRC as at 28 February 2021.

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In order to assess the fairness and reasonableness of the Subscription Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 17 February 2020, being one year prior to the date of the Announcement, up to and including the Latest Practicable Date (the “**Review Period**”), which is commonly adopted for analysis. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:

Historical daily closing price per Share



Source: the Stock Exchange's website

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During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.112 recorded on 3 April 2020, 7 April 2021, 8 April 2021 and 9 April 2021 and HK\$0.240 recorded on 19 May 2020 respectively. The Subscription Price of HK\$0.10 falls below the closing price range of the Shares as quoted on the Stock Exchange during the Review Period.

From the start of the Review Period up to early-April 2020, the closing price of the Shares followed a downward trend and hit the low at HK\$0.112 on 3 April 2020. During the period from 6 April 2020 to 18 May 2020, the closing price of the Shares fluctuated between HK\$0.113 and HK\$0.140. The closing price of the Shares rose sharply from HK\$0.120 on 18 May 2020 to its peak at HK\$0.240 on 19 May 2020.

After reaching its peak on 19 May 2020, the closing price of the Shares followed a general downward trend and hit HK\$0.150 on 28 October 2020 and 29 October 2020. Subsequently, the closing price of the Shares recovered slightly and reached HK\$0.217 on 14 January 2021. After that, the closing price of Shares decreased again and reached HK\$0.143 on the Last Trading Date.

Following the publication of the Announcement on 16 February 2021 and up to the Latest Practicable Date, the closing prices of the Shares fluctuated between HK\$0.112 and HK\$0.173.

As part of our analysis, we also searched for the rights issue transactions (excluding transactions which were lapsed/terminated) (the “**Rights Issue Comparables**”) announced from 17 November 2020 (being three months prior to the date of Announcement) up to the date of Announcement by companies listed on the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 9 rights issue transactions which met the aforesaid criteria and they are exhaustive.

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Company name (stock code)	Date of announcement	Premium/ (discount) of the subscription price over/(to) the closing price per share on the last trading day <i>approximate %</i>	Premium/ (discount) of the subscription price over/(to) the theoretical ex-rights price <i>approximate %</i>	Premium/ (discount) of the subscription price over/(to) the then net assets value per share (note 1) <i>approximate %</i>	Theoretical dilution effect <i>approximate %</i>	Potential maximum dilution of shareholding (note 5) <i>approximate %</i>	Fully or partly underwritten (Yes/No)	Excess application (Yes/No)	Placing commission %
Global Strategic Group Limited (8007)	20 November 2020	(20.79)	(4.76)	(76.34)	(17.56)	80.00	Yes	Yes	N/A
Capital Finance Holdings Limited (8239)	3 December 2020	4.65	1.50	N/A (note 2)	3.10 (note 3)	66.67	No	No	3.00
Chinlink International Holdings Limited (997)	14 December 2020	(13.64)	(4.59)	(93.78)	(11.70)	75.00	Yes	Yes	N/A
Pacific Century Premium Developments Limited (432)	31 December 2020	Nil	Nil	(63.40)	(0.48) (note 3)	33.33	No	Yes	N/A
Sinolink Worldwide Holdings Limited (1168)	6 January 2021	(41.05)	(31.37)	(84.99)	(20.09)	44.44	No	Yes	N/A
Roma Group Limited (8072)	20 January 2021	(31.32)	(10.07)	(94.13)	(23.63)	75.00	Yes	Yes	N/A
Beaver Group (Holding) Company Limited (8275)	25 January 2021	(34.38)	(16.00)	(68.61)	(23.68) (note 4)	60.00	No	No	3.50
Esprit Holdings Limited (330)	27 January 2021	(25.00)	(18.21)	(48.98)	(8.68)	33.33	Yes	Yes	N/A
Bossini International Holdings Limited (592)	5 February 2021	(23.40)	(16.86)	22.65	(8.47)	33.33	No	Yes	N/A
	Maximum	4.65	1.50	22.65 (note 6)	3.10	80.00	N/A	N/A	3.50
	Minimum	(41.05)	(31.37)	(94.13) (note 6)	(23.68)	33.33	N/A	N/A	3.00
	Average	(20.55)	(11.15)	(63.45) (note 6)	(12.35)	55.68	N/A	N/A	3.25
	Median	(23.40)	(10.07)	(72.47) (note 6)	(11.70)	60.00	N/A	N/A	3.25
The Company	16 February 2021	(30.07) ("LTD Discount")	(12.28) ("TERP Discount")	(37.11) ("NAV Discount")	(23.72)	66.67	No	Yes	1.00

Source: the Stock Exchange's website

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Notes:

1. Based on the then latest published net assets value per share attributable to shareholders of the subject company prior to the publication of relevant announcements
2. The subject company recorded net liabilities attributable to shareholders.
3. The theoretical dilution effects of these transactions were calculated in accordance with Rule 7.27B of the Listing Rules/Rule 10.44A of the GEM Listing Rules as the relevant announcements did not disclose the same.
4. Cumulative dilution effect in aggregate with the rights issue conducted by the subject company in 2020
5. Maximum dilution effect of each transaction is calculated as: $(\text{number of new shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the new shares under the basis of entitlement} + \text{number of new shares to be issued under the basis of entitlement}) \times 100\%$
6. Excluding rights issue transaction of which the subject company recorded net liabilities attributable to shareholders

The subscription prices of Rights Issue Comparables represented (i) a discount of approximately 41.05% to a premium of approximately 4.65% to/over the respective closing prices per share on the last trading day in relation to the respective rights issue (the “**LTD Discount/Premium Market Range**”), (ii) a discount of approximately 31.37% to a premium of approximately 1.50% to/over the respective theoretical ex-rights prices per share based on the closing price on the last trading date in relation to the respective rights issue (the “**TERP Discount/Premium Market Range**”); and (iii) a discount of approximately 94.13% to a premium of approximately 22.65% to/over the respective then latest net assets value per share attributable to shareholders of the subject company of the respective rights issue (excluding transactions of which the subject company recorded net liabilities attributable to shareholders) (the “**NAV Discount/Premium Market Range**”). The LTD Discount, the LTD TERP Discount and the NAV Discount fall within the LTD Discount/Premium Market Range, the TERP Discount/Premium Market Range and the NAV Discount/Premium Market Range respectively.

The potential maximum dilution effect of shareholding of the Rights Issue Comparables ranged from approximately 33.33% to 80.00% (the “**Shareholding Dilution Market Range**”). The potential maximum dilution of shareholding of the Rights Issue of approximately 66.67% falls within the Shareholding Dilution Market Range.

The theoretical dilution effect of the Rights Issue Comparables ranged from a discount of approximately 23.68% to a premium of approximately 3.10% (the “**Theoretical Dilution Market Range**”). The theoretical dilution effect of the Rights Issue of approximately 23.72% slightly falls below the Theoretical Dilution Market Range.

Having considered (i) the financial condition of the Group (such as loss for six consecutive financial years and net current liabilities position and net liabilities attributable to owners of the Company as at 31 December 2020); (ii) that the Group had

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insufficient internal resources as at the Latest Practicable Date to settle its impending repayment obligations; (iii) that the theoretical dilution effect of the Rights Issue is not deviated from the Theoretical Dilution Market Range; and (iv) that the theoretical dilution effect of the Rights Issue does not result in a theoretical dilution effect of 25% or more, which is in compliance with Rule 7.27B of the Listing Rules, we consider the theoretical dilution effect of the Rights Issue to be justifiable.

Despite that the Subscription Price of HK\$0.10 falls below the closing price range of the Shares as quoted on the Stock Exchange during the Review Period, taking into account the foregoing, in particular, (i) the financial condition of the Group (such as loss for six consecutive financial years and net current liabilities position and net liabilities attributable to owners of the Company as at 31 December 2020); (ii) that the Group had insufficient internal resources as at the Latest Practicable Date to settle its impending repayment obligations; (iii) that the potential maximum dilution of shareholding of the Rights Issue falls within the Shareholding Dilution Market Range; (iv) the theoretical dilution effect of the Rights Issue being justifiable; and (v) that the LTD Discount, the LTD TERP Discount and the NAV Discount fall within the LTD Discount/Premium Market Range, the TERP Discount/Premium Market Range and the NAV Discount/Premium Market Range respectively, we consider the Subscription Price to be fair and reasonable.

Non-underwritten basis

According to the Board Letter, 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. For further details, please refer to the section headed “Non-underwritten basis” of the Board Letter.

We noted that 5 out of 9 of the Rights Issue Comparables were also conducted on a non-underwritten basis. Accordingly, we consider that it is not uncommon for rights issue transactions to be proceed on a non-underwritten basis.

Application for excess Rights Shares

According to the Board Letter, Qualifying Shareholders shall be entitled to, by way of excess application, apply for the excess Rights Shares, which comprise (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders; and (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares. For further details, please refer to the section headed “Application for excess Rights Shares” of the Board Letter.

We noted that 7 out of 9 of the Rights Issue Comparables also included arrangement for application for excess rights shares. Accordingly, we consider that it is common for rights issue transactions to have application for excess rights shares.

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The 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.

Set out below are the principal terms of the Placing Agreement as extracted from the Board Letter:

- 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 Tuesday, 8 June 2021, and end on the Placing End Date (i.e. Wednesday, 9 June 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.
- Placees: The Placing Agent shall use its reasonable endeavours to 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 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 the difference between (i) the total number of Rights Shares available for subscription as at the Record Date; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders whether under the PAL(s) or EAF(s).
- Placing Price: The Placing Price of HK\$0.10 per Placing Share, which is the same as the Subscription Price.

For details of the Placing, please refer to the section headed “PLACING OF NEW SHARES UNDER SPECIFIC MANDATE” of the Board Letter.

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Among the Rights Issue Comparables, we noted that (i) 2 out of 9 of the Rights Issue Comparables included placing of the unsubscribed rights shares; and (ii) the placing commissions of such transactions ranged from 3.00% to 3.50%. Accordingly, we are of the opinion that (i) it is not uncommon for rights issue transactions to include a placing of the unsubscribed rights shares; and (ii) the placing commission of 1.0% under the Placing is fair and reasonable.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable.

Principal terms of the Set-Off

With reference to the Board Letter, 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 Settlement 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. 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 Rights 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 Rights Issue 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.

As mentioned in the section earlier:

- There are several impending repayment obligations which the Company is required to satisfy (such as the New Option 1 Bonds, the Shareholder's Loan and the bank borrowing).
- The Group only had cash and bank balances of approximately HK\$76.43 million as at 31 December 2020. As confirmed by the Directors, the Group has insufficient internal resources as at the Latest Practicable Date to settle the impending liabilities (such as the New Option 1 Bonds, the Shareholder's Loan and the bank borrowing).

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- Ms. Lau is a substantial Shareholder and pursuant to the Irrevocable Undertaking, has irrevocably undertaken to the Company that, among other things, 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, and apply and pay for, or procure the application and payment for no less than 616,981,126 excess Rights Shares and no more than the difference between the maximum number of Rights Shares available under the Rights Issue and all the Entitlement Shares provisionally allotted to her.

In light of the factors above and that the Shareholder's Loan Set-off amount is on a dollar-to-dollar basis against an equivalent amount of the aggregated Subscription Price of all Entitlement Shares and the Relevant Excess Shares allocated to Ms. Lau, we consider that the terms of the Set-Off are fair and reasonable.

Possible dilution of the shareholding interests of the existing public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. As in all other cases of rights issues and open offers, dilution of the shareholdings of those Qualifying Shareholders who do not take up in full their provisional allotments under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market.

With reference to the shareholding tables in the section headed "EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter, assuming there is no change in the issued share capital of the Company, the shareholding interests of the existing public Shareholders would be diluted by a maximum of approximately 52.59 percentage points immediately upon the Rights Issue Completion (assuming no subscription by the Qualifying Shareholders (other than Ms. Lau) under the Rights Issue; and all the excess Rights Shares are subscribed for by Ms. Lau).

We are aware of the maximum potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- The Rights Issue and the Set-Off are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.
- The terms of the Rights Issue (including the Subscription Price) and the Set-Off are fair and reasonable.
- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Set-Off through their votes at the SGM.

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- Qualifying Shareholders have their choice of whether to accept the Rights Issue or not.
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market.
- Those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we consider that the maximum potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

Possible financial effects of the Rights Issue

The unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company (the “**Pro Forma Statement**”) as enlarged by the Rights Issue as at 31 December 2020, which has been prepared to illustrate the effect of the Rights Issue on the net tangible liabilities of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 31 December 2020, is set out under Appendix II to the Circular.

With reference to the Pro Forma Statement, the audited consolidated net tangible liabilities of the Group attributable to the owners of the Company (the “**N TLV**”) was approximately HK\$153.11 million as at 31 December 2020. According to the Pro Forma Statement, the unaudited pro forma adjusted NTLV would decrease or become positive (i.e. recording unaudited consolidated net tangible assets position attributable to the owners of the Company), as if the Rights Issue had been completed on 31 December 2020.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION ON THE RIGHTS ISSUE AND THE SET-OFF

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) although the Rights Issue and the Set-Off are not in the ordinary and usual course of business of the Group, the terms of the Rights Issue and the Set-Off are on normal commercial terms and are fair and reasonable; and (ii) the Rights Issue and the Set-Off are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Rights Issue and the Set-Off and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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B. WHITEWASH WAIVER

According to the Board Letter, as at the Latest Practicable Date, 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 Latest Practicable Date 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 accepted all Entitlement Shares and 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 Latest Practicable Date 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 accepted all Entitlement Shares and 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 Latest Practicable Date 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 accepted all Entitlement Shares and 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 Latest Practicable Date 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 accepted all Entitlement Shares and 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

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held by Ms. Lau and the parties acting in concert with her will increase from approximately 19.84% to 52.74% 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. An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among others, the approval of the Independent Shareholders of the Whitewash Waiver, Rights Issue and the Set-Off at the SGM by way of poll in accordance with the requirements of the Takeovers Code. 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 Rights Issue and the Set-Off 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, the Rights Issue or the Set-Off is not approved by the Independent Shareholders, the Rights Issue and the Set-Off (and Placing) will not proceed.

In view of (i) the aforesaid reasons for the Rights Issue; (ii) that the Rights Issue and the Set-Off are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (iii) that the terms of the Rights Issue and the Set-Off are fair and reasonable, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue and the Set-Off, is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue and the Set-Off.

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RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration (i) the reasons for and possible benefits of the Rights Issue and the Set-Off; and (ii) that the Rights Issue and the Set-Off are conditional on, among other things, the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement of the Group as shown in the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information. The audited consolidated financial statements of the Group for each of the years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.chinalotsynergy.com>), respectively:

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, from pages 47 to 136 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/lt201904291144.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 30 June 2020, from pages 54 to 144 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0630/2020063000926.pdf>); and
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the 2020 Annual Results Announcement published on 31 March 2021, from pages 2 to 18 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0401/2021033103178.pdf>).

Set out below is a summary of the financial information of the Group for each of the years ended 31 December 2018, 2019 and 2020 as extracted from the relevant annual reports of the Company.

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	183,927	154,354	118,563
Gross profit	95,941	61,492	27,515
Share option expenses	(13,237)	(5,065)	—
Loss before income tax	(153,860)	(546,345)	(630,445)
Income tax (expense)/credit	(8,861)	(3,755)	527
Loss for the year	(162,721)	(550,100)	(623,918)

	For the year ended 31 December 2018 <i>HK\$'000</i> (Audited)	For the year ended 31 December 2019 <i>HK\$'000</i> (Audited)	For the year ended 31 December 2020 <i>HK\$'000</i> (Audited)
(Loss)/Profit for the year attributable to:			
Owners of the Company	(169,468)	(518,793)	(573,971)
Non-controlling interests	<u>6,747</u>	<u>(31,307)</u>	<u>(49,947)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company	(191,095)	(526,765)	(326,641)
Non-controlling interests	<u>(8,436)</u>	<u>(36,363)</u>	<u>(36,578)</u>

HLB Hodgson Impey Cheng Limited, the auditors of the Company, noted in its independent auditors' reports for FY2019 and FY2020, the relevant extracts of which are set out in the annual report of the Company for FY 2019 and the 2020 Annual Results Announcement, respectively, that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The opinion of the auditors in respect of FY2019 and FY2020 is not modified in respect of this matter.

Relevant extracts of the independent auditors' reports for FY2019 and FY2020 as set out in the annual report of the Company for FY 2019 and the 2020 Annual Results Announcement are reproduced below:

FY2019

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

FY2020

“We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$623,918,000 during the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$241,971,000. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter”.

The relevant parts of Note 2.1 to the consolidated financial statements of the Group for FY2020 as referred to in the auditor’s note above are also extracted below for information purpose:

“In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$623,918,000 for the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$241,971,000. These current liabilities included amount due to a shareholder amounting to approximately HK\$56,880,000, amounts due to directors amounting to approximately HK\$19,703,000 and bank borrowings amounting to approximately HK\$212,793,000 and convertible bonds that will be due in the coming twelve months amounting to approximately HK\$137,205,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern.

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

- (a) The Group has been actively negotiating with the relevant bank for renewal of the revolving bank borrowings with outstanding principal amount of HK\$212,000,000 that are secured by the Group’s property located in Hong Kong. Taking into account the fair value of the pledged property in the amount of HK\$346,000,000 as at 28 February 2021, the directors believe that the Group will be able to renew the aforementioned banking facilities;*
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities. Subsequent to the end of the Reporting Period, the Group successfully obtained new loan facilities in Hong Kong dollars of up to HK\$78,000,000 and Renminbi of up to RMB90,000,000 (equivalent to approximately HK\$107,015,000) from Independent Third Parties;*

- (c) *In relation to a loan from a Shareholder in the principal amount of HK\$50,000,000 that matured on 20 January 2021, the Group entered, on the same date as the aforementioned maturity date, into a supplemental loan agreement with the Shareholder to extend the maturity date from 20 January 2021 to 20 January 2022;*
- (d) *Subsequent to the end of the Reporting Period, the Group has obtained written confirmation from the Shareholder mentioned in (c) above that she will not demand the Group for repayment of another loan with principal amount of HK\$6,500,000 and its accrued interest in the 18 months from 24 March 2021;*
- (e) *Subsequent to the end of the Reporting Period, the Group has obtained written confirmations from the relevant directors to confirm that they will not demand the Group for repayment of the outstanding principals in the total amount of approximately HK\$19,537,000 and accrued interest in the next 18 months from 24 March 2021;*
- (f) *On 16 February 2021, the Group proposed to raise gross proceeds of up to approximately HK\$220,750,000 by issuing up to 2,207,541,466 Rights Shares on the basis of two Rights Shares for every one existing Share at the Subscription Price of HK\$0.10 per Rights Share;*
- (g) *The Group has implemented measures to speed up the collection of outstanding accounts receivable. With reference to a civil judgment received from the Supreme People's Court of the PRC on 25 March 2021, the directors believe that the Group will be able to collect the outstanding accounts receivable of approximately RMB54,836,000 (equivalent to approximately HK\$65,203,000) due from Beijing China Lottery Online Technology Company Limited before 31 December 2021;*
- (h) *The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.*

The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within 12 months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements of FY2020 on a going concern basis”.

Save as disclosed above, no modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports of the Company issued by HLB Hodgson Impey Cheng Limited for each of the years ended 31 December 2018, 2019 and 2020. For each of the three years ended 31 December 2018, 2019 and 2020, no dividend was declared or paid.

Save as disclosed above, the Group had no other material income or expense for the years ended 31 December 2018, 2019 and 2020.

2. WORKING CAPITAL

Taking into account the financial resources available to the Group, including the presently available credit facilities and the estimated net proceeds from the Rights Issue and the Placing, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Bank borrowings

The Group had secured and guaranteed bank borrowings of approximately HK\$208,500,000 which were secured by (i) the Group's owned property and related leasehold land with a carrying amount of approximately HK\$346,000,000 as at 28 February 2021; and (ii) a personal guarantee provided by a director of the Company.

(b) Amounts due to a shareholder

The Group had an unsecured and unguaranteed amount of approximately HK\$56,500,000 due to a shareholder of the Company.

(c) Amounts due to directors

The Group had unsecured and unguaranteed amounts of approximately HK\$19,537,000 due to certain Directors.

(d) Convertible bonds

The Group had unsecured and unguaranteed convertible bonds of approximately HK\$148,580,000 at a principal amount of HK\$148,580,000.

(e) Lease liabilities

The Group had lease liabilities of approximately HK\$17,762,000.

(f) Contingent liabilities

The Group did not have any material contingent liabilities.

Save as disclosed in this section headed "Indebtedness Statement" in this appendix, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have:

- (i) any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were guaranteed, unguaranteed, secured or unsecured;

- (ii) any mortgages and charges; or
- (iii) any contingent liabilities or guarantees.

4. MATERIAL CHANGE

As disclosed in the section headed “Material Litigation” of Appendix V to this circular, the 2020 Results Announcement and the Company’s announcement dated 25 March 2021, on 25 March 2021, the Company received a civil judgment dated 31 December 2020 from the Supreme People’s Court of the PRC which ordered that, among others, CLO is required to pay to DGTY a sum of RMB54,835,734.43 with interest at a rate for the identical kind of loans published by the People’s Bank of China accrued from 15 July 2015 to the date of payment.

Save as disclosed above, there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECT

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 include various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery, and the Company will continue to explore and develop other potential businesses, including the natural and healthy food business and trading business.

As set out in the 2020 Annual Results Announcement, the Group recorded a decrease of revenue from approximately HK\$154.35 million for the year ended 31 December 2019 to approximately HK\$118.56 million for the year ended 31 December 2020, which was caused by the decrease in sales of lottery terminals and related equipment and the decrease in lease income from operating leases as a result of the COVID-19 pandemic.

Nevertheless, in order to improve the financial performance of the Group, the Group will continue to deploy efforts in promoting the internationalisation of lottery while rooting in China and explore other business opportunities with a higher profit margin so as to develop a more diverse business model.

The COVID-19 pandemic and policy adjustment dragged down the sales of China’s lottery in 2019. The lottery industry became even more hard-hit when sales tumbled in 2020. In the past two years, Chinese lottery has been shifting from simply pursuing sales volume and speed to quality and overall social benefits, with special emphasis on building up and carrying out responsible lottery so as to foster a healthy ecosystem. There is a need for adjusted policies with combination of intervention and guidance to encourage the lottery industry’s product innovation and model innovation amidst the normalization of the COVID-19 pandemic against the backdrop of the shutting down of extensive lottery channels which took three decades to build up, a drastic drop in the public welfare fund, illegal lottery and the popularisation of online gambling and mobile games. The lottery is best for paperless, electronic, dispersed and

mobile consumption. Lottery sales via the Internet and mobile should be attempted and existing physical lottery stores should be transformed through artificial intelligence and new retail in a way that enhances user experience and encourages a new stratum of lottery players. With its continuous investment and in-depth understanding of the lottery industry for more than a decade, the Group will bring its edges together and look for a wide range of cooperation opportunities in terms of sales channels, core systems, gaming products, lottery security, among others, and contribute to the development of a responsible, reliable, healthy and sustainable China's lottery ecosystem.

Meanwhile, health food has received rising attention due to the COVID-19 pandemic. Tian Ran Lin Chang Food Limited has been adhering to the beliefs of natural and healthy products with all of its products having obtained China Forest Food Certifications and gaining more consumer recognition. Furthermore, the Company has entered into a "Strategic Cooperation Agreement on Development of Ecotourism Spots in China" with China Eco Development Association on 4 January 2021, pursuant to which the two parties intend to establish a comprehensive strategic partnership to develop the ecotourism business in China. The Company expects that China's ecotourism will benefit from the new market development opportunities arising from the opening of high-speed rail across China and the new development pattern in which the domestic economic cycle plays a leading role. The Company believes that entering into the aforesaid agreement would enable the Group to utilise the respective resource advantages of both parties and cooperate more efficiently in the construction of ecotourism service system and related businesses.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2020 or at any future date immediately after the Rights Issue Completion.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020 as extracted from the Group’s published annual results announcement for the year ended 31 December 2020 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2020.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2020 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$’000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the Rights Issue Completion <i>HK\$’000</i>
Based on 800,000,000 Rights Shares to be issued <i>(Note 2)</i>	<u>(153,110)</u>	<u>73,500</u>	<u>(79,610)</u>
Based on 2,058,961,466 Rights Shares to be issued <i>(Note 3)</i>	<u>(153,110)</u>	<u>199,396</u>	<u>46,286</u>
Based on 2,207,541,466 Rights Shares to be issued <i>(Note 4)</i>	<u>(153,110)</u>	<u>214,254</u>	<u>61,144</u>

Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share as at 31 December 2020 (<i>Note 5</i>)	<u><u>HK\$(0.15)</u></u>
Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion based on 1,829,480,733 Shares in issue (<i>Note 6</i>)	<u><u>HK\$(0.04)</u></u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion based on 3,088,442,199 Shares in issue (<i>Note 7</i>)	<u><u>HK\$0.01</u></u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion based on 3,311,312,199 Shares in issue (<i>Note 8</i>)	<u><u>HK\$0.02</u></u>

Notes:

1. The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2020 is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at 31 December 2020 of approximately HK\$91,058,000 as extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the Group's published annual results announcement for the year ended 31 December 2020 after deducting intangible assets of approximately HK\$62,052,000 which represents the intangible assets of the Group as at 31 December 2020 amounted to approximately HK\$63,292,000 as extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the Group's published annual results announcement for the year ended 31 December 2020 after deducting the portion held by non-controlling interests of approximately HK\$1,240,000.
2. The substantial shareholder, Ms. Lau, has in an aggregate of 91,509,437 Shares as at the date of this circular. She has irrevocably undertaken to accept in full 183,018,874 Rights Shares to be provisionally allotted to her and apply for no less than 616,981,126 excess Rights Shares.

The estimated net proceeds from the Rights Issue of approximately HK\$73,500,000 are based on the gross proceeds of approximately HK\$80,000,000 (assuming only Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking) from the issue of 800,000,000 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share, less estimated related expenses of approximately HK\$6,500,000.

3. The estimated net proceeds from the Rights Issue of approximately HK\$199,396,000 are based on the gross proceeds of approximately HK\$205,896,000 (assuming all Shareholders have taken up the Rights Shares, no conversion rights under the outstanding New Option 1 Bonds are exercised and no other issue of Shares on or before the Record Date) from the issue of 2,058,961,466 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share, less estimated related expenses of approximately HK\$6,500,000.
4. The estimated net proceeds from the Rights Issue of approximately HK\$214,254,000 are based on the gross proceeds of approximately HK\$220,754,000 (assuming all Shareholders have taken up the Rights Shares, the conversion rights under the outstanding New Option 1 Bonds are exercised in full and no other issue of Shares on or before the Record Date) from the issue of 2,207,541,466 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share, less estimated related expenses of approximately HK\$6,500,000.
5. The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share as at 31 December 2020 is calculated based on the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2020 of approximately HK\$153,110,000 as set out in note 1 above divided by 1,029,480,733 Shares in issue as at 31 December 2020.
6. The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion is calculated based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company immediately after the Rights Issue Completion of approximately HK\$79,610,000 and 1,829,480,733 Shares, comprising 1,029,480,733 Shares in issue as at 31 December 2020 and 800,000,000 Rights Shares to be issued (assuming only Ms. Lau subscribes for the Undertaken Shares pursuant to the Irrevocable Undertaking).
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the Rights Issue Completion of approximately HK\$46,286,000 and 3,088,442,199 Shares, comprising 1,029,480,733 Shares in issue as at 31 December 2020 and 2,058,961,466 Rights Shares to be issued (assuming all Shareholders have taken up the Rights Shares, no conversion rights under the outstanding New Option 1 Bonds are exercised and no other issue of Shares on or before the Record Date).
8. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after the Rights Issue Completion is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the Rights Issue Completion of approximately HK\$61,144,000 and 3,311,312,199 Shares, comprising 1,029,480,733 Shares in issue as at 31 December 2020, 74,290,000 Shares converted from the outstanding New Option 1 Bonds and 2,207,541,466 Rights Shares to be issued (assuming all Shareholders have taken up the Rights Shares, the conversion rights under the outstanding New Option 1 Bonds are exercised in full and no other issue of Shares on or before the Record Date).
9. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group prepared for the purpose of inclusion in this circular.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHINA ECOTOURISM GROUP LIMITED (FORMERLY
KNOWN AS CHINA LOTSYNERGY HOLDINGS LIMITED)**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Ecotourism Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2020 and related notes as set out on pages II-1 to II-3 of Appendix II to the circular issued by the Company dated 14 April 2021 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed rights issue on the basis of two rights shares for every one existing share held on the record date (the “**Rights Issue**”) on the Group's financial position as at 31 December 2020 as if the Rights Issue had taken place at 31 December 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's published annual results announcement for the year ended 31 December 2020.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 14 April 2021

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited (“Knight Frank”), an independent valuer, in connection with their valuation as at 28 February 2021 of the Property Interest held by China Ecotourism Group Limited, which formerly known as China LotSynergy Holdings Limited.



Knight Frank Petty Limited
4/F, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

14 April 2021

The Board of Directors
China Ecotourism Group Limited
(formerly known as China LotSynergy Holdings Limited)
Unit 3308, 33/F,
Office Tower Convention Plaza,
1 Harbour Road,
Wan Chai, Hong Kong

Dear Sirs,

Valuation in respect of the Unit Nos. 7, 8 and 9 and the lavatories adjoining thereto on 33rd Floor, Office Tower Convention Plaza, No 1 Harbour Road, Wan Chai, Hong Kong (the “Property”).

INSTRUCTIONS

In accordance with the instructions for us to value the Property held by a wholly-owned subsidiary of China Ecotourism Group Limited, which formerly known as China LotSynergy Holdings Limited (hereinafter referred to as the “Company”, together with its subsidiaries, hereinafter together referred to as the “Group”). We confirm that we have carried out inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in existing state as at 28 February 2021 (the “Valuation Date”) for accounting purposes. Our valuation is undertaken by qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation. Our valuation is based on 100% of the leasehold interest of the Property.

BASIS OF VALUATION

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“HKIS”) and “The RICS Valuation — Global Standards 2020” issued by the Royal Institution of Chartered Surveyors (“RICS”). Under the said standards, Market Value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS.

In valuing the Property, we have complied with the requirements set out in Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs (the “Takeovers Code”) published by the Securities and Futures Commission. Details of the property-related potential tax liability to the Company in relation to the property interests are set in the notes of each valuation report.

VALUATION METHODOLOGY

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have adopted Market Approach by made reference to the recent market sales evidence which is available in the open market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties such as location, time, size, building age, layout, ancillary facilities and quality in arriving at our opinion on the market value.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions.

TITLE DOCUMENTS AND ENCUMBRANCES

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing.

DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company. We have accepted advice given to us on such matters as statutory notice, easement, land tenure, occupancy status, floor areas and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning this Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

INSPECTION

We have inspected the Property on 16 March 2021 by Mr. Cyrus Fong, MRICS MHKIS MCIREA RPS(GP) RICS Registered Valuer. Nevertheless, we have assumed in our valuations that the Property was in satisfactory exterior and interior decorative order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

IDENTITY OF THE PROPERTY TO BE VALUED

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

PROPERTY INSURANCE

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

AREAS AND AGE

In our valuations, we have relied upon areas provided to us. We have also assumed that the measurements and dimensions shown on the documents handed to us are correct and in approximations only. We have scaled off the floor areas from the approved building plans in accordance with the Code of Measuring Practice by the Hong Kong Institute of Surveyors.

STRUCTURAL AND SERVICES CONDITION

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas, We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory repair and condition and contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects, and that the services are in satisfactory condition.

GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, expected only where otherwise stated.

VALUATION ASSUMPTION

We have assumed that the owner of the Property is free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent.

REMARKS

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).

AREA CONVERSION

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

LIMITATIONS ON LIABILITY

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

In our valuations, Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. While current market is influenced by various policies and regulations, increased complexity in social movements and international trade tensions geopolitics, has also resulted in more fluctuations in real estate market. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

Yours faithfully,

For and on behalf of
Knight Frank Petty Limited

Cyrus Fong
MRICS MHKIS MCIREA RPS(GP) RICS
Registered Valuer
Senior Director, Valuation & Advisory

Thomas Lam
FRICS FHKIS MCIREA RPS(GP) RICS
Registered Valuer
Executive Director,
Head of Valuation & Advisory

Note: Mr. Thomas Lam is a qualified valuer who has over 21 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macau and Asia Pacific region.

Mr. Cyrus Fong is a qualified valuer who has 15 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macau and Asia Pacific region.

VALUATION

Property	Description	Particulars of occupancy	Market Value of the Property as at 28 February 2021
Unit Nos. 7, 8 and 9 and the lavatories adjoining thereto on 33rd Floor, Office Tower Convention Plaza, No 1 Harbour Road, Wan Chai, Hong Kong (the "Property").	Convention Plaza is situated next to Hong Kong Convention & Exhibition Centre and on the northern side of Harbour Road bounded by Fleming Road to the east and Convention Avenue to the north in Wan Chai of Hong Kong Island. Office Tower is situation on the eastern side of the development adjacent to Renaissance Harbour View Hotel.	According to the information provided by the Company, the Property was owner occupied as at the Valuation Date.	HK\$346,000,000 (Hong Kong Dollars Three Hundred and Forty Six Million) in existing state.
Inland Lot No 8593 ("IL8593").	Office Tower of the Convention Plaza consist of a 40-storey service office block which was completed in 1990 according to Occupation Permit No H29/90 comprising three out of nine office units planned on the 33rd Floor. The total saleable area of the Property is about 5,860 sq ft (or 544.41 sq m) The Property is held under Conditions of Grant No. UB11784 for a term of 75 years from 19 February 1985.		

Notes:

- (1) Pursuant to records obtained from the Land Registry and information provided by the Company, the registered owners of the Property as at the Valuation Date is a wholly-owned subsidiary of China Ecotourism Group Limited (formerly known as China LotSynergy Holdings Limited), namely, Goldwide Limited.
- (2) At the time of our recent search, the following encumbrances were registered against the Property:
- (i) Occupation Permit (Permit no H29/90) vide memorial no UB4501042 dated 7 March 1990;
 - (ii) Letter of Compliance from Director of Buildings & Lands, District Lands Office, H.K. West to H.K. Trade Development Council vide memorial no UB4501043 dated 8 June 1990;
 - (iii) Certificate of Compliance from Registrar General's Department (Land Office) to Hong Kong Trade Development Council vide memorial no UB4568129 dated 29 June 1990;
 - (iv) Deed of Mutual Covenant vide memorial no UB4568130 dated 13 September 1990;
 - (v) Sub-Deed of Mutual Covenant vide memorial no UB6837649 dated 8 November 1996;
 - (vi) Mortgage in favour of Industrial Bank Co., Ltd., Hong Kong Branch for a consideration of all moneys vide memorial no 18091901730029 dated 6 September 2018; and
 - (vii) Supplemental Deed Relating to Mortgage dated 6 September 2018 in favour of Industrial Bank Co., Ltd., Hong Kong Branch for a consideration of all moneys vide memorial no 19100201640019 dated 25 September 2019.
- (3) Our notional apportionment of land and building element is as follows:

Property	Apportioned Value
Land Element	HK\$324,600,000
Building Element	<u>HK\$21,400,000</u>
Total:	<u><u>HK\$346,000,000</u></u>

We would emphasize that this is only a notional breakdown by assessing the net replacement cost of the improvements as of the Valuation Date and deducting this from the value conclusion of the Property and such apportionment should not be used other than financial reporting purpose. The apportioned values are not equal to the actual values of land and building separately.

- (4) The property-related potential tax liability which might arise on disposal of the Property Interests (as property transfer) as at the Valuation Date include Ad Valorem Stamp Duty at 8.5% or 15% and/or Buyer's Stamp Duty at 15%. The likelihood of such tax liability being crystallised to the Group is slim and is excluded from our valuation.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Prudential Surveyors (Hong Kong) Limited, an independent valuer, in connection with their opinion of value of the property of the Group in the PRC as at 28 February 2021.



Prudential Surveyors (Hong Kong) Limited
測建行香港有限公司

14 April 2021

The Board of Directors

China Ecotourism Group Limited

(formerly known as China LotSynergy Holdings Limited)

Unit 3308, 33rd Floor

Office Tower, Convention Plaza

No. 1 Harbour Road

Wanchai

Hong Kong

Dear Sirs,

Re: Valuation of Unit No. 207, No. 57 Jinxing First Street, Huangpu Avenue Middle Road, Tianhe District, Guangzhou City, Guangdong Province, the People's Republic of China

In accordance with the instructions from **China Ecotourism Group Limited**, which is formerly known as China LotSynergy Holdings Limited (hereinafter referred to as the "Company") for us to value the captioned property (hereinafter referred to as the "Subject Property") located in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Subject Property as at 28 February 2021 (hereinafter referred to as the "Date of Valuation").

This letter, forming part of our valuation report, identifies the Subject Property being valued, explains the basis and methodology of our valuation and lists out the assumptions and the title investigation we have made in the course of our valuation as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the property interest in the Subject Property is our opinion of the market value which we would define as intended to mean 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of the Subject Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation has been carried out in accordance with “HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors and the “International Valuation Standards (IVS)” published by the International Valuation Standards Council which came into effect in 2020.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the requirements of Rule 11 of The Code on Takeovers and Mergers and Share Buy-backs (the “Takeovers Code”) issued by The Securities and Futures Commission.

VALUATION METHODOLOGY

In assessing the market value, we have considered the Direct Comparison Method which is based on comparing the Subject Property to be valued directly with other comparable properties, which have transferred its legal ownership close to the date of valuation. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of the capital values. Locational and economical characteristics are important criteria to be analysed when comparing such comparables against the Subject Property to be valued.

VALUATION ASSUMPTIONS

In valuing the property interests, we have assumed that the Company has free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired term granted subject to payment of rent and that all requisite land premium/purchase consideration otherwise payable have been fully settled.

Our valuation has also been made on the assumption that the Subject Property is to be sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, or any similar arrangement that would serve to affect its value. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Subject Property and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amount owing on the Subject Property nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Subject Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation report.

TITLE INVESTIGATION

Due to the nature of the land registration system in the PRC, no investigation has been made for the legal title or any liabilities attached to the Subject Property. However, we have been provided by the Company with copies of documents relating to the titles of the property interests. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied upon the advice and information given by the Company's PRC legal advisor — Zheng Qian Law Firm (廣東政乾律師事務所) regarding the title of the property located in the PRC. All documents have been used for reference only.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the Subject Property by Mr. Simon Liu (MRICS, MHKIS, RPS(GP)) on 1 April 2021. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Subject Property. We are, therefore, not able to report that the Subject Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

No detailed on-site measurements have been made during our inspection. Dimensions, measurements and areas included in the valuation report attached are based on information contained in the documents provided to us and are therefore approximations only.

Having reviewed all relevant documentation, we have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, site and floor plans, floor areas and other relevant matters in the identification of the Subject Property in which the registered owner has valid interest. We have not seen original planning consents and have assumed that the Subject Property has been erected and is being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Company, the potential tax liabilities which may arise from the sale of the property includes:

- Value-added tax at a rate of 5% of consideration for the property in the PRC;
- Stamp duty at a rate of 0.05% of consideration for the property in the PRC; and
- Land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation.

As advised by the Company, the likelihood of any potential tax liability being crystalized is remote as the Company has no intention to dispose of the property.

Except for the purpose of disclosure in the public circular to be issued by the Company in connection with the rights issue, neither the whole nor any part of this valuation report or any reference thereto may be included in any published document, circular or statement, nor published in any way whatsoever without the prior written approval of Prudential Surveyors (Hong Kong) Limited as to the form and context in which it may appear.

DECLARATION

We hereby certify, to the best of our knowledge and belief, that:

- We are an external valuer, independent from the Company and the property owners, their subsidiaries and their jointly controlled entities (collectively, the “Group”) and their respective directors and controlling shareholder and that we do not have any direct or indirect material interests in the securities or assets of the Group, its connected persons, or any associate of the Group and we have no bias with respect to the parties involved.
- We have previous, current or anticipated involvement with the Company in respect of the Subject Property in the past 24 months from the date of instruction or date of agreement of the engagement, whichever is earlier.

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, the Subject Property and the value reported herein.

The exchange rate adopted is the average rate as at the Date of Valuation being RMB1=HK\$1.1888. There has been no significant fluctuation in the exchange rate between that date and the date of this report.

We attach herewith our valuation report.

Pursuant to Rule 11.5(c) of the Takeovers Code, we have given and not withdrawn our consent to the issue of this circular of the Company with the inclusion of this report.

Yours faithfully,

For and on behalf of

PRUDENTIAL SURVEYORS (HONG KONG) LIMITED

Leo S D Cheung
BSc MSc MFin EMBA FRICS FHKIS RPS(GP)
Director

Simon C H Liu
MBA MRICS MHKIS RPS(GP) CIREA
General Manager, Professional Valuation

Mr. Leo S D Cheung is a Registered Professional Surveyor (GP) with over 20 years of post-qualification experience in valuation of properties in the HKSAR, Macau, mainland China and the Asia Pacific Region. Mr. Cheung is a Fellow of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors.

Mr. Simon C H Liu is a Member of The Royal Institution of Chartered Surveyors in United Kingdom and The Hong Kong Institute of Surveyors in Hong Kong with over 40 years of post-qualification experience in valuation of properties in the HKSAR, mainland China and the Asia Pacific Region.

Both Mr. Cheung and Mr. Liu are on the Hong Kong Stock Exchange's list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuation in connection with takeovers and mergers.

The address of the valuer is 3rd Floor, Tung Hip Commercial Building, Nos. 244–252 Des Voeux Road Central, Hong Kong

VALUATION REPORT ON SUBJECT PROPERTY

Subject Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2021
Unit No. 207, No. 57 Jinxing First Street, Huangpu Avenue Middle Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	The Subject Property comprises a residential unit on Level 2 of a 9-storey composite building within a development named “金興花園” completed in about 1999.	The Subject Property is vacant.	RMB3,400,000 (HK\$4,042,000)
中國廣東省廣州市天河區黃埔大道中路金興一街57號207房	The gross floor area (“GFA”) of the Subject Property is approximately 73.6993 sq.m. (or about 793.3 sq.ft.). The land use rights of the Subject Property have been granted for a term of 70 years from 3 August 1999 for residential use.		

Notes:

1. The Subject Property is situated within a development named “金興花園” in Tianhe District. Land use pattern in the locality is mainly domestic. Developments in the locality are characterized by some newly completed residential developments intermingled with aged developments. Accessibility to the Subject Property is considered to be convenient and the nearest metro station ‘Tianhe Park Station’ is only 5 minutes’ walking distance from the Subject Property.
2. Pursuant to a Real Estate Title Certificate, 粵 (2021) 廣州市不動產權第00003344號 (Yue (2021) Guang Zhou Shi Bu Dong Chan Quan Di No. 00003344), the Subject Property with a GFA of approximately 73.6993 sq.m. is legally vested in 廣州洛圖終端技術有限公司 (Guangzhou Lottnal Terminal Company Limited) (“Guangzhou Lottnal”), a non wholly-owned subsidiary of the Company, for a term of 70 years commencing from 3 August 1999 for residential use.
3. As advised by the PRC legal advisor, the Subject Property is free from any material encumbrances.
4. The Subject Property is held for investment.

5. The opinion of the PRC legal advisor to the Company contains, *inter alia*, the following:
 - a. Guangzhou Lottnal is in possession of a proper legal title to the Subject Property;
 - b. Guangzhou Lottnal has settled the transfer payment of the Subject Property;
 - c. The Subject Property is not subject to mortgage or any other material encumbrances;
 - d. Guangzhou Lottnal has the rights to legally occupy, use, transfer, lease and mortgage the property; and
 - e. Guangzhou Lottnal is entitled to transfer the Subject Property at no extra land premium payable to the government.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Ms. Lau and parties acting in concert with her) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Ms. Lau) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to Ms. Lau and parties acting in concert with her contained in this circular has been supplied by the Ms. Lau. Ms. Lau accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this circular (other than those expressed by the Directors (in their capacity as Directors)) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) As at the Latest Practicable Date

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.025	1,600,000,000
Issued and fully paid:	HK\$0.025	1,029,480,733

- (b) Immediately following the Rights Issue Completion and the Increase in Authorised Share Capital (assuming (i) no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date; and (ii) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)**

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.025	5,000,000,000
Issued and fully paid:	HK\$0.025	3,088,442,199

All issued Shares rank equally in all respects with each other, including, rights to dividends, voting rights and return of capital.

Since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date, the Company had not issued nor agreed to issue any new Shares (other than the Rights Shares and the Placing Shares).

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares and the Placing Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or the Placing Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Rights Shares and the Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares and the Placing Shares (as the case may be) will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares and the Placing Shares (as the case may be).

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

Save for the New Option 1 Bonds, as at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options (including any share options) or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

3. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price of the Shares HK\$
31 August 2020	0.187
30 September 2020	0.174
30 October 2020	0.157
30 November 2020	0.181
31 December 2020	0.17
29 January 2021 (being the Last Trading Day and the last trading day of January 2021)	0.143
26 February 2021	0.151
31 March 2021	0.114
9 April 2021 (being the Latest Practicable Date)	0.112

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.217 on 14 January 2021 and HK\$0.112 on 7 April 2021, 8 April 2021 and 9 April 2021, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives of the Company in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein;

(iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; and (iv) to be disclosed under the Takeovers Code were as follows:

Name of Director	Personal Interests	Number of Shares held			Total	Percentage of issued share capital of the Company as at the Latest Practicable Date
		Spouse Interests	Corporate Interest			
Ms. CHAN Tan Na, Donna	15,936,000 (L)	—	—	15,936,000 (L)	1.55	
Mr. WU Jingwei	8,220,000 (L)	—	—	8,220,000 (L)	0.80	
Mr. LI Zi Kui	2,800,000 (L)	—	—	2,800,000 (L)	0.27	
Ms. ZHU Xinxin	1,850,000 (L)	—	—	1,850,000 (L)	0.18	
Mr. HUANG Shenglan	110,000 (L)	—	—	110,000 (L)	0.01	
Mr. CUI Shuming	200,000 (L)	—	—	200,000 (L)	0.02	

Note: “L” denotes long position.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange and; (iv) to be disclosed under the Takeovers Code.

(b) Substantial Shareholders’ interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company

under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Number of Shares held			Total	Percentage of issued share capital of the Company as at the Latest Practicable Date
	Personal Interests	Spouse Interests	Corporate Interest		
Ms. LAU ^{Note 1}	91,509,437 (L)	—	72,528,100 (L)	164,037,537 (L)	15.93%
Mr. CHAN Shing ^{Note 2}	24,248,642 (L)	—	65,022,813 (L)	89,271,455 (L)	8.67%
BFAM Partners (Cayman) Limited ^{Note 3}	—	—	74,290,000 (L)	74,290,000 (L)	7.22%
Fuchs Benjamin Aaron ^{Note 3}	—	—	74,290,000 (L)	74,290,000 (L)	7.22%
Tencent Holdings Limited ^{Note 4}	—	—	59,403,451 (L)	59,403,451 (L)	5.77%

Notes:

- Ms. LAU was interested in a total of 164,037,537 Shares, comprising 91,509,437 Shares directly held by Ms. LAU, 7,505,287 Shares held by Hang Sing Overseas Limited, 13,773,554 Shares held by Strong Purpose Corporation and 51,249,259 Shares held by Glory Add Limited. Hang Sing Overseas Limited is wholly-owned by Orient Strength Limited, which is wholly owned by Ms. LAU. Ms. LAU is therefore deemed to be interested in the Shares held by Hang Sing Overseas Limited under the SFO. Strong Purpose Corporation is wholly owned by Ms. LAU and Mr. CHAN Shing. Each of Ms. LAU and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO. Glory Add Limited is wholly owned by Favor King Limited, which is wholly owned by Ms. LAU and Mr. CHAN Shing. Each of Ms. LAU and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
- Mr. CHAN Shing was interested in a total of 89,271,455 Shares, comprising 24,248,642 Shares directly held by Mr. CHAN Shing, 13,773,554 Shares held by Strong Purpose Corporation and 51,249,259 Shares held by Glory Add Limited. Strong Purpose Corporation is wholly owned by Ms. LAU and Mr. CHAN Shing. Each of Ms. LAU and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Strong Purpose Corporation under the SFO. Glory Add Limited is wholly owned by Favor King Limited, which is wholly owned by Ms. LAU and Mr. CHAN Shing. Each of Ms. LAU and Mr. CHAN Shing is therefore deemed to be interested in the Shares held by Glory Add Limited under the SFO.
- BFAM Partners (Cayman) Limited indirectly held the New Option 1 Bonds in the outstanding 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. Based on the disclosure of interests form filed by BFAM Partners (Cayman) Limited and Benjamin Aaron Fuchs on 16 November 2020, the outstanding New Option 1 Bonds were directly held by BFAM Asian Opportunities Master Fund, L.P., which was owned by BFAM Asian Opportunities Fund Limited as to 89.10% and controlled by BFAM Asian Opportunities Master GP Limited. Both BFAM Asian Opportunities Fund Limited and BFAM Asian Opportunities Master GP Limited were wholly owned by BFAM Partners (Cayman) Limited, which was in turn wholly owned by Benjamin Aaron Fuchs.

4. Tencent Holdings Limited was deemed to be interested in a total of 59,403,451 Shares held by its wholly-owned subsidiary Hongze Lake Investment Limited under the SFO.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

(c) Directors' role in substantial shareholders

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. MATERIAL LITIGATION

The Group is involved in the DGTY Litigation. The DGTY Litigation is a civil action filed by DGTY, a subsidiary of the Company, with the People's High Court of Beijing in relation to the payment for continued use of terminals for China Welfare Lottery video lottery terminals by CLO, an Independent Third Party, after the expiry of the relevant supply contract. On 25 March 2021, the Company received a civil judgment dated 31 December 2020 from the Supreme People's Court of the PRC which ordered that, among others, CLO is required to pay to DGTY a sum of RMB54,835,734.43 with interest at a rate for the identical kind of loans published by the People's Bank of China accrued from 15 July 2015 to the date of payment. As at the Latest Practicable Date, DGTY had not yet received the aforementioned payment sum from CLO.

Save for the DGTY Litigation, as at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTOR'S INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the date of this circular and which was significant in relation to the business of the Group.

9. EXPERT

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Prudential Surveyors (Hong Kong) Limited	Independent professional valuer
Knight Frank Petty Limited	Independent professional valuer

Each of the above experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion in the form and context in which it is included and the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interests, directly or indirectly, in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, acquired, disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes, or may compete, either directly or indirectly, with the businesses of the Group.

11. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no agreement, arrangement or understanding (including any compensation arrangement) existed between Ms. Lau or any person acting in concert with her and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Rights Issue;
- (b) no agreement, arrangement or understanding existed between any Director and any other person which is conditional on/or dependent upon the outcome of the Rights Issue or otherwise connected with the Rights Issue;
- (c) no benefits were given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Rights Issue; and
- (d) no material contract had been entered into by Ms. Lau in which any Director has a material personal interest.

12. ADDITIONAL DISCLOSURES UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save as disclosed in the shareholding structure table under the paragraph headed "Effect of the Rights Issue on the Shareholding Structure of the Company" in the section headed "Letter from the Board" in this circular and in the paragraph headed "Disclosure of Interests" in this appendix, no Director was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

- (c) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, any persons presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;
- (d) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (e) no fund managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and no such persons had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (f) (i) as regards the Rights Issue, save that Ms. Chan is required under the Listing Rules and the Takeovers Code to abstain from voting on the relevant resolutions to be proposed to the Independent Shareholders at the SGM and each of Mr. Wu Jingwei, Mr. Li Zi Kui and Ms. Zhu Xinxin is required under the Rule 7.27A(1) of the Listing Rules to abstain from voting on the relevant resolutions to be proposed to the Independent Shareholders at the SGM, each of Mr. Huang Shenglan, Mr. Chan Ming Fai, and Mr. Cui Shuming, intends, in respect of their own beneficial shareholdings (if any), to vote in favour of the resolutions to be proposed at the SGM (which they are permitted to vote) to approve the Rights Issue; and (ii) as regards the Whitewash Waiver, save that Ms. Chan is required under the Takeovers Code to abstain from voting on the relevant resolutions to be proposed to the Independent Shareholders at the SGM, each of Mr. Wu Jingwei, Mr. Li Zi Kui, Ms. Zhu Xinxin, Mr. Huang Shenglan, Mr. Chan Ming Fai, and Mr. Cui Shuming, intends, in respect of their own beneficial shareholdings (if any), to vote in favour of the resolutions to be proposed at the SGM (which they are permitted to vote) to approve the Whitewash Waiver;
- (g) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (h) there was no agreement, arrangement or understanding to transfer, charge or pledge the Rights Shares to be acquired by Ms. Lau in pursuance of the Rights Issue to any other persons.

13. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (a) a bondholder letter agreement dated 22 March 2019 entered into between the Company and the holder of the New Option 1 Bonds in relation to certain amendments to the terms and conditions of the New Option 1 Bonds, including the maturity date, interest and interest payment date and conversion price, details of which are set out in the announcement of the Company dated 22 March 2019;
- (b) the First Supplemental Trust Deed;
- (c) a share transfer agreement dated 12 August 2019 entered into among Capital Way Financial Holdings Limited, an indirect wholly-owned subsidiary of the Company (as purchaser), Mr. Hai Shixun (as vendor) and Qing Yu International Holding Limited (as target company) in relation to the acquisition of the entire issued share capital of Qing Yu International Holding Limited for a consideration of HK\$9,000,000, details of which are set out in the announcements of the Company dated 12 August 2019 and 30 August 2019;
- (d) a bondholder letter agreement dated 1 November 2019 entered into between the Company and the holder of the New Option 1 Bonds in relation to certain amendments to the terms and conditions of the New Option 1 Bonds, including the maturity date, details of which are set out in the announcement of the Company dated 1 November 2019;
- (e) the Second Supplemental Trust Deed;
- (f) a bondholder letter agreement dated 23 April 2020 entered into between the Company and the holder of the New Option 1 Bonds in relation to certain amendments to the terms and conditions of the New Option 1 Bonds, details of which are set out in the announcement of the Company dated 23 April 2020;
- (g) the Third Supplemental Trust Deed;
- (h) a provisional agreement for sale and purchase 18 June 2020 entered into between Wide Perfect Limited, an indirect wholly-owned subsidiary of the Company (as vendor) and Ms. Chan Kam Chi (as purchaser) in relation to the sale and purchase of a property for a consideration of HK\$44,380,000, details of which are set out in the announcement of the Company dated 18 June 2020;
- (i) a subscription agreement dated 9 October 2020 entered into between the Company (as issuer) and Ms. Lau (as subscriber) in relation to the subscription of 8% convertible bonds due 2021 in the principal amount of HK\$50,000,000, the details of which are disclosed in the announcement of the Company dated 9 October 2020;

- (j) a termination deed dated 20 January 2021 entered into between the Company (as issuer) and Ms. Lau (as subscriber) in relation to the termination of the subscription agreement referred to in (i) above;
- (k) the Set-Off Deed; and
- (l) the Placing Agreement.

14. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Ms. CHAN Tan Na, Donna
Mr. WU Jingwei
Mr. LI Zi Kui
Ms. ZHU Xinxin
Mr. HUANG Shenglan
Mr. CHAN Ming Fai
Mr. CUI Shuming

Principal banker

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central, Hong Kong

Industrial Bank Co. Ltd., Hong Kong Branch
10-12/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Authorised representatives of the Company

Ms. CHAN Tan Na, Donna
Unit 3308, 33/F., Office Tower, Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong

Mr. WONG Hiu Wong
Unit 3308, 33/F., Office Tower, Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong

Legal advisers to the Company	<p><i>As to Hong Kong law</i> Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong SAR</p> <p><i>As to Bermuda law</i> Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught place Central Hong Kong</p>
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Financial adviser to the Company	Luk Fook Capital (HK) Limited Units 2201–2207 & 2213–2214, 22/F Cosco Tower 183 Queen's Road Central, Hong Kong
Auditor	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower, The Landmark 11 Pedder Street, Central Hong Kong

15. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

(a) Directors

Ms. CHAN Tan Na, Donna

Board's Chairperson, Executive Director and Chief Executive Officer

Ms. Chan, aged 40, joined the Group in 2012, and is currently the Board's Chairperson, an Executive Director and Chief Executive Officer of the Company. Ms. Chan is responsible for planning and leading the implementation of the Group's overall strategies for operational development. She holds a Bachelor's degree in Economics and Finance from the University of Hong Kong and a Master's degree in Economics from Boston University, USA. She is a qualified Chartered Financial Analyst (CFA). From 2005 to early 2012, Ms. Chan held positions at Deutsche Bank's Corporate Finance department and Atlantis Investment Management (Hong Kong) Limited, where she was involved in several initial public offerings, share

placements, mergers and acquisitions, and bond issuances. In her capacity as a fund manager, she was in charge of equity investments in listed and unlisted companies in the Greater China region.

WU Jingwei

Executive Director and President

Mr. Wu, aged 49, joined the Group in 2007, and is currently an Executive Director and the President of the Company. Mr. Wu assists the Board's Chairperson in planning and leading the implementation of the Group's overall strategies for development. Mr. Wu has overall responsibilities for the operations and management of the Group's lottery business with extensive experience in leading the China Welfare Lottery Video Lottery Business, Computer-generated Ticket Games Business, Video Lottery Business and New Media Lottery Business. Mr. Wu has over twenty years of experience in information technology. Prior to joining the Group, Mr. Wu had held senior management positions in PKU Founder Group and Hisense Group. Mr. Wu holds a Bachelor's degree in Mechanical Engineering from Beijing Technology and Business University.

LI Zi Kui

Executive Director, Senior Vice President and General Manager of CTG Business Unit

Mr. Li, aged 56, joined the Group in 2011, and is currently an Executive Director, Senior Vice President of the Group and General Manager of CTG Business Unit of the Company. Mr. Li has over thirty years of solid management experience in the information technology sector. He had been engaged in the China Welfare lottery space as a chief engineer with technical management responsibility for nearly twenty years, gaining extensive experience with proven track record in various lottery segments including video lottery, computer ticket game and instant lottery. Mr. Li holds an EMBA from Beijing Institute of Technology.

ZHU Xinxin

Executive Director, Senior Vice President and Director of the Group's Human Resource and Administrative Department

Ms. Zhu, aged 41, joined the Group in 2008. She is currently an Executive Director, the Senior Vice President of the Group and Director of the Group's Human Resource and Administrative Department. Ms. Zhu had been the operation manager of Protiviti Independent Risk Consulting, China, a global business consulting and internal audit firm. Ms. Zhu had also worked in Accenture, a global leading management consulting, information technology services and outsourcing company. At Accenture, she participated in various projects including the CNOOC SAP implementation project, Robert Half International PeopleSoft Implementation project and BP Finance & Accounting Outsourcing project. Ms. Zhu holds a Bachelor's degree in Business and Finance from the University of Westminster and a Master's

degree in Development Finance from the University of Manchester. Ms. Zhu also holds the Chief Human Resource Officer certificate, conducted by the Business School at Renmin University of China and ILR School at Cornell University.

HUANG Shenglan

Independent Non-executive Director

Mr. Huang, aged 69, joined the Group in 2002, and is currently an Independent Non-executive Director of the Company. Mr. Huang was an executive director and the deputy governor of China Everbright Bank, Head Office and was an executive director and the general manager of China Everbright Technology Limited. Mr. Huang holds a Diploma in Arts from Huazhong Normal University and in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University and in Advanced Management Programme from the Harvard Business School, USA. Mr. Huang is also a non-executive director of Burwill Holdings Limited and a non-executive director of China Fortune Investments (Holding) Limited, which are listed companies in Hong Kong.

CHAN Ming Fai

Independent Non-executive Director

Mr. Chan, aged 59, joined the Group in 2006, and is currently an Independent Non-executive Director of the Company. Mr. Chan is currently an independent business consultant. Prior to that, he was the chief executive officer of Full Seas Technology Group and the president of Dandelion Capital Group, which is a private financial advisory company. He has over thirty years of experience in investment banking and asset management. Mr. Chan had worked for Jardine Fleming Investment Management with a major responsibility to market unit trusts and asset management products in Hong Kong and subsequently in various Asian markets, and was particularly instrumental in the establishment of Jardine Fleming's investment trust operation in Japan, Korea and Indonesia. Mr. Chan also co-founded the KGI Group, which is a pan-Asian investment bank with shareholders including major investors and institutions in Asia, where he was the head of the asset management operation, which managed about USD400 million in hedge funds and other investment portfolios, and was also a member of the management committee of KGI Group. Mr. Chan holds a Bachelor's degree in Social Sciences with a major in Economics from the University of Hong Kong. Mr. Chan is currently a non-executive director of Windmill Group Limited, a listed company in Hong Kong. Mr. Chan was an independent non-executive director of Burwill Holdings Limited from October 2011 to December 2018 and a non-executive director of Alita Resources Limited from December 2018 to July 2019.

CUI Shuming

Independent Non-executive Director

Mr. Cui, aged 83, joined the Group in 2008, and is currently an Independent Non-executive Director of the Company. Mr. Cui graduated from Renmin University of China. He was the deputy head of the Bank of China, Jiangsu branch, the executive director of The National Commercial Bank, Ltd. and the general manager of its Hong Kong branch, a director and the executive vice president of The Ka Wah Bank Limited and an independent non-executive director of two listed companies in Hong Kong, namely, Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) and Wah Sang Gas Holdings Limited. Mr. Cui is currently an independent non-executive director of Yue Da Mining Holdings Limited, a listed company in Hong Kong. He has over forty years of experience in international finance and corporate planning and management. Mr. Cui was an independent non-executive director of Burwill Holdings Limited from 1998 to October 2019.

(b) Senior management***LAN Jianzhang***

Senior Vice President and General Manager of New Type Lottery Business Unit

Mr. Lan, aged 49, joined the Group in 2009. He is currently the Senior Vice President of the Group and General Manager of New Type Lottery Business Unit. Mr. Lan previously held a senior position at China Lottery Online Technology Co., Ltd, and was responsible for the strategy, product and business development. He has extensive and proven experience in the lottery industry including video lottery segment. Mr. Lan has over twenty years' experience in the information technology and internet sector. He previously held management positions at leading companies in the sector including the PKU Founder Group, where he was responsible for the development of high-end information technology and household appliances. Mr. Lan holds a Bachelor's degree from Beijing University of Aeronautics & Astronautics, a Master's degree in Physics from Chinese Academy of Sciences, and an EMBA from Beijing Institute of Technology.

HE Ying

Senior Vice President and General Manager of Mobile and Internet Services Business Unit

Ms. He, aged 51, joined the Group in 2007. She is currently the Senior Vice President of the Group, General Manager of Mobile and Internet Services Business Unit and General Manager of the Marketing Department. Ms. He had been the general manager of the marketing department at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Ms. He has been engaged in the information technology industry for twenty years, and has extensive experience in marketing and corporate management. Ms. He holds a Bachelor's degree in Computer Science from the Beijing University of Technology.

WU Yunsong

Vice President

Mr. Wu, aged 53, joined the Group in 2008. He is currently the Vice President of the Group. Mr. Wu has over twenty years of management experience in research and development, manufacturing, quality control and operating of the information products and digital products. He was a vice general manager of Dongguan Founder Information Equipment Manufacturing Limited and Shenzhen Founder Digital Technology Limited. Mr. Wu holds a Bachelor's degree in Irrigation and Drainage Engineering Professional from Chengdu University of Science and Technology (now renamed Sichuan University).

JI Youjun

Vice President and the General Manager of the Group's Technology Management Center

Mr. Ji, aged 48, joined the Group in 2007. He is currently the Vice President of the Group and the General Manager of the Group's Technology Management Center. Mr. Ji had been the head of household product development at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Mr. Ji has extensive experience in the development and management of information technology software and hardware products. He holds a Bachelor's degree in Mechanical Engineering and Manufacturing from Harbin University of Science and Technology.

TAN Yung Kai, Richard

Chief Financial Officer

Mr. Tan, aged 48, joined the Group in 2000. He is currently the Chief Financial Officer, responsible for the overall financial accounting of the Group. Mr. Tan has over twenty years of experience in the audit and the accounting fields. He had worked for Deloitte Touche Tohmatsu, an international accounting firm involved in the various auditing and due diligence activities. He holds a Bachelor's degree in Commerce from McGill University, Canada and a Master's degree in Corporate

Finance from the Hong Kong Polytechnic University. Mr. Tan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

WONG Hiu Wong
Company Secretary

Mr. Wong, aged 37, joined the Group in 2009. He is currently the Company Secretary, taking part in the corporate exercise and business operation of the Group with respect to ensuring compliance and risk management, leading a professional team overseeing the Group's corporate governance, and is responsible for group policies formation and corporate structure planning. He is a senior management member of the Group. Mr. Wong is an associate member of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries. He holds a Bachelor's degree in Business from LSE, the University of London and a Master's degree in Corporate Governance and Directorship from the Hong Kong Baptist University.

(c) Addresses of the Directors and senior management of the Company

The business address of each of the Directors and the senior management of the Company listed above is Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

16. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (b) The company secretary of the Company is Mr. Wong Hiu Wong, who is an associate member of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.
- (c) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10 Bermuda.
- (d) The principal place of business of the Company in Hong Kong is at Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.
- (e) The correspondence address of Ms. Lau is Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (i) at the principal place of business of the Company in Hong Kong at Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong during normal business hours (9:00 a.m. to 5:00 p.m.) on any Business Day; and (ii) on the websites of the Company (<http://www.chinalotsynergy.com>) and the SFC (<http://www.sfc.hk>), respectively, from the Latest Practicable Date up to and including the date of the SGM:

- (a) the memorandum of association and new bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2018 and 2019;
- (c) the 2020 Annual Results Announcement;
- (d) the letter from the Board, the text of which is set out on pages 13 to 45 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 46 to 47 of this circular;
- (f) the letter from Gram Capital, the text of which is set out on pages 48 to 70 of this circular;
- (g) the report on the unaudited pro forma financial information of the Group in respect of the Rights Issue from HLB Hodgson Impey Cheng Limited as set out in Appendix II to this circular;
- (h) the property valuation report prepared by Knight Frank Petty Limited, the text of which is set out in Appendix III to this circular;
- (i) the property valuation report prepared by Prudential Surveyors (Hong Kong) Limited, the text of which is set out in Appendix IV to this circular;
- (j) the written consent referred to in the paragraph headed “Expert” in this appendix;
- (k) the Irrevocable Undertaking and other material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (l) this circular.

NOTICE OF SGM



(formerly known as China LotSynergy Holdings Limited 華彩控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Ecotourism Group Limited (formerly known as China LotSynergy Holdings Limited) (the “**Company**”) will be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 10 May 2021 at 11:00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of SGM shall bear the same meaning as those defined in the circular of the Company dated Wednesday, 14 April 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the satisfaction of all conditions as set out in the paragraph headed “Conditions of the Rights Issue” in the letter from the board of the Circular:
 - (a) the issue by way of rights issue (the “**Rights Issue**”) of not more than such number of new shares (the “**Rights Shares**” and each a “**Rights Share**”) representing twice the total number of issued shares in the nominal value of HK\$0.025 each in the capital of the Company (the “**Shares**”) on Thursday, 20 May 2021 or such other date as may be determined and announced by the Company as the record date for the determination of the provisional entitlements of the Shareholders under the Rights Issue (the “**Record Date**”) at a subscription price of HK\$0.10 per Rights Share to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register of members of the Company, as at 5:00 p.m. on the Record Date excluding those Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong whom the directors of the Company (the “**Directors**”), after making relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient 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 (the “**Non-Qualifying Shareholders**”) on the basis of two (2) Rights Shares for every one (1) existing Share then held on the Record Date be and is hereby approved;

NOTICE OF SGM

- (b) the Directors be and are hereby authorised to exercise the powers of the Company to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue in particular, (i) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under excess application forms for excess Rights Shares; and
- (c) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Rights Issue and the transactions contemplated under the Rights Issue.”

2. “**THAT:**

- (a) the placing agreement dated 16 February 2021 (the “**Placing Agreement**”) (a copy of which, signed by the chairperson of the SGM for the purposes of identification, has been produced to the SGM marked “**A**”) entered into between the Company (as issuer) and Cornerstone Securities Limited (the “**Placing Agent**”) in relation to the best effort placing (the “**Placing**”) by the Placing Agent of such number of Shares as is equivalent to the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights whether under PAL(s) or EAF(s) during the offer period of the Rights Issue (the “**Placing Shares**”) at the placing price of HK\$0.10 per Placing Share, and all transactions contemplated under, and all other matters of, and incidental to, and in connection with, the Placing Agreement be and are hereby approved, confirmed and ratified in all respects;
- (b) subject to and conditional upon the satisfaction of all conditions of the Placing Agreement, the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Placing Shares pursuant to the terms and conditions of the Placing Agreement, such Placing Shares ranking pari passu amongst themselves and with all other fully paid Shares in issue as at the date of allotment and issue of the Placing Shares in all respects and such Specific Mandate being in additional to and not prejudicing or revoking any other general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company; and

NOTICE OF SGM

- (c) any Director be and is hereby authorised to do all such acts or things, to sign and execute all such documents, and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Placing Agreement and the transactions contemplated under the Placing Agreement, and to agree to such variation, amendments or waiver of matters relating to the Placing Agreement as are, in the opinion of the Director(s), in the interests of the Company.”

3. **“THAT:**

- (a) the deed of set-off dated 29 January 2021, as amended and supplemented by the supplemental deed to the aforesaid deed of set-off dated 16 February 2021 (collectively, the **“Set-Off Deed”**) (copies of which, signed by the chairperson of the SGM for the purposes of identification, have been produced to the SGM marked **“B”**) entered into among the Company, China LotSynergy Limited (華彩資源有限公司) (the **“Borrower”**) and Ms. Lau Ting (**“Ms. Lau”**), and all transactions contemplated under, and all other matters of, and incidental to, and in connection with, the Set-Off Deed, be and are hereby approved, confirmed and/or ratified in all respects; and
- (b) any Director be and is hereby authorised to do all such acts or things, to sign and execute all such documents, and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the set-off and the transactions contemplated under the Set-Off Deed.”

4. **“THAT:**

- (a) the authorised share capital of the Company be increased from HK\$40,000,000 divided into 1,600,000,000 Shares of HK\$0.025 each to HK\$125,000,000 divided into 5,000,000,000 Shares of HK\$0.025 each by the creation of 3,400,000,000 additional Shares (the **“Increase in Authorised Share Capital”**); and
- (b) any one Director be and is hereby authorised to do all such acts or things, to sign and execute all such documents, and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Increase in Authorised Share Capital and all other matters incidental to, and in connection with, the Increase in Authorised Share Capital.”

NOTICE OF SGM

SPECIAL RESOLUTION

5. “**THAT:**

- (a) subject to and conditional upon the granting of a waiver (the “**Whitewash Waiver**”) to Ms. Lau by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and any conditions that may be imposed thereon, the waiver of any obligation on the part of Ms. Lau to make a mandatory general offer to the Shareholders under Rule 26 of the Takeovers Code for all issued securities of the Company not already owned or agreed to be acquired by Ms. Lau and any parties acting in concert with her which may be triggered as a result of the acceptance in full by, and allotment to, her of the Rights Shares pursuant to the irrevocable undertaking given by her in favour of the Company and the terms of the Rights Issue be and is hereby approved; and
- (b) any Director be and is hereby authorised to do all such acts or things, to sign and execute all such documents, and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Whitewash Waiver.”

Yours faithfully,
For and on behalf of the Board
China Ecotourism Group Limited
CHAN Tan Na, Donna
Chairperson

Hong Kong, 14 April 2021

Notes:

1. All resolutions will be put to vote at the SGM by way of poll.
2. A Shareholder who is the holder of two or more Shares and who is entitled to attend and vote at the SGM is entitled to appoint more than one proxy to attend and vote instead of him/her/it. A proxy need not be a Shareholder. In the event that a Shareholder appoints more than one proxy, on a show of hands, all such proxies shall collectively have one vote unless otherwise provided for in the new bye-laws of the Company.
3. If two or more persons are joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
4. A form of proxy for use at the SGM is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited at the principal place of business of the Company at Unit 3308, 33/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong or the office of the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours (i.e. 11:00 a.m. on Saturday, 8 May 2021 (Hong Kong time)) before the time appointed for the holding of the SGM or any adjournment of that meeting (as the case may be). Completion and deposit of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM or any adjournment of that meeting (as the case may be).

NOTICE OF SGM

In view of the ongoing novel coronavirus pneumonia 2019 (COVID-19) pandemic, the Company strongly recommends Shareholders exercise their voting rights by appointing the chairperson of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 4 May 2021 to Monday, 10 May 2021 (both dates inclusive), during which no transfer of the Shares may be registered. In order for the transferees to be registered as members of the Company by 5:00 p.m. on the record date for attending and voting at the SGM, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Hong Kong branch share 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, 3 May 2021.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing novel coronavirus pneumonia 2019 (COVID-19) pandemic, to safeguard the health and safety of Shareholders and prevent the spread of the disease, the Company will implement the following measures at the SGM, including:

1. Compulsory temperature screening/checks and submission of health declaration form will be required of every attendee at the entrance of the SGM venue. Any person with a body temperature above 37.3 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the SGM venue and requested to leave the SGM venue;
2. Every attendee will be required to wear a surgical face mask at the SGM venue and throughout the SGM and to sit at a distance from the other attendees. Please note that no surgical face masks will be provided at the SGM venue and attendees should bring and wear their own masks; and
3. No refreshment, drinks, corporate gifts or gift coupons will be provided to the attendees at the SGM.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the other attendees at the SGM.

* *For identification purposes only*

As at the Latest Practicable Date, 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.