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China LotSynergy Holdings Limited

華彩控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1371)

## **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION**

### **THE ACQUISITION**

The Board is pleased to announce that on 12 August 2019 (after trading hours), the Purchaser, the Vendor and the Target Company entered into the Agreement in relation to the acquisition of the entire issued shares of the Target Company at an aggregate consideration of HK\$9,000,000, which will be settled as to (i) HK\$3,000,000 in cash; and (ii) the issue of the Promissory Note. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

### **GENERAL**

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## **THE AGREEMENT**

### ***Date***

12 August 2019

### ***Parties***

- 1) The Purchaser
- 2) The Vendor
- 3) The Target Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor, the Target Company and its ultimate beneficial owner(s) are Independent Third Party.

### ***Asset to be acquired***

The Purchaser has agreed to acquire the entire issued shares of the Target Company from the Vendor in accordance with the Agreement.

### ***Consideration***

The aggregate consideration of HK\$9,000,000 shall be settled as follows:

- (i) a cash payment in the amount of HK\$3,000,000; and
- (ii) the remaining HK\$6,000,000 shall be settled by way of the issue of the Promissory Note by the Purchaser to the Vendor (or his nominee(s)) at the date of Completion.

The aggregate consideration of HK\$9,000,000 was arrived at after arm's length negotiation among the parties to the Agreement on normal commercial terms. The aggregate consideration was determined after taking into account of the existing business model, revenue generated, sales channel, future growth prospects and overall commercial value of the Target Group and the unaudited financial statements of NFF provided by the Vendor. The cash payment in the amount of HK\$3,000,000 is settled by the Purchaser to the Vendor as deposit. The Group satisfies the consideration by its internal resources.

### ***Issue of Promissory Note***

The principal terms of the Promissory Note are set out as follows:

Issuer:	The Purchaser
Principal amount:	HK\$6,000,000
Maturity:	Three months from the date of issue of the Promissory Note
Interest:	Zero
Transferability:	The Promissory Note is freely transferable to any Independent Third Party. Save with the prior written consent of the Company, the Promissory Note may not be transferred to any connected person of the Company
Status:	The Promissory Note will constitute direct, unsubordinated and unsecured contractual obligations of the Purchaser which will at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Purchaser
Listing:	No application will be made for the listing of, or permission to deal in, the Promissory Note on the Stock Exchange or any other stock exchange

### ***Condition Precedent and Completion of the Acquisition***

After all conditions precedent set out in the Agreement have been fulfilled or waived, Completion will take place on the day of Completion. The conditions precedent includes that all requisite consents, authorisations, approvals and documents (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the respective parties.

The Completion should be taken on the day as the Purchaser and the Vendor may agree from time to time.

### **INFORMATION OF THE GROUP**

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

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a company incorporated in Republic of Seychelles with limited liability and is principally engaged in the business of investment holding. As at the date of this announcement, the Target Company is directly wholly-owned by the Vendor. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Target Company holds the entire share interests in QYSZ through QYHK. QYSZ holds 80% of the share interests in NFF. Except for the holding of NFF's share interests, the Target Company, QYHK and QYSZ are not currently engaged in other principal business nor holding material assets.

NFF is principally engaged in R&D, processing, production and sales of natural and health food. According to the management accounts of the NFF, the unaudited net loss of NFF before and after taxation and extraordinary items for the year ended 31 December 2018 were RMB4,067,839 (approximately HK\$4,633,074) and RMB4,067,839 (approximately HK\$4,633,074) respectively. The unaudited net loss of NFF before and after taxation and extraordinary items for the year ended 31 December 2017 were RMB5,885,048 (approximately HK\$6,702,788) and RMB5,885,048 (approximately HK\$6,702,788) respectively. The unaudited total asset and net asset of NFF as at 30 June 2019 were RMB2,228,510 (approximately HK\$2,538,166) and RMB1,522,674 (approximately HK\$1,734,253) respectively.

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

According to the information provided by the Vendor and the Target Group, NFF is an integrated trading, production and sales corporation principally engaged in R&D, processing, production and sales of natural, safe and health food in China. It has self-owned brand products and has developed different sales channels including e-commerce and offline distribution with growth in revenue in past two years. The unaudited operating revenue of NFF for the year ended 31 December 2018 was RMB9,732,303 (approximately HK\$11,084,627). And the unaudited operating revenue of the NFF for six month ended 30 June 2019 was RMB7,281,985 (approximately HK\$8,293,833).

According to the "Research on the prospect of natural and health food market in China 2018" announced by ASKCI Consulting, residents' awareness of health and demand for natural and health food have been gradually increasing in recent year, leading to the continue growing of the scale of China's natural and health food market from RMB68 billion in year 2013 to more than RMB100 billion in year 2017. The Group believes that the natural and health food market in China is developing healthily.

The Group believes that the Acquisition can strengthen its financial position by developing the business of production and sales of natural and health food engaged by the Target Group currently at a lower cost and higher efficiency. The Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## GENERAL

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following terms shall have the meanings ascribed to them below unless the context otherwise requires:

“Acquisition”	the acquisition of the entire issued shares of the Target Company under the Agreement
“Agreement”	the shares transfer agreement dated 12 August 2019 entered into among the Purchaser, the Vendor and the Target Company in relation to the Acquisition
“Board”	the board of Directors
“China”	means The People’s Republic of China
“Company”	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who is independent of the Company and its connected person(s) (as defined under the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NFF”	天然林場食品有限公司(Natural Forestfood Farm Limited Company), a company incorporated in China with limited liability, which is principally engaged in R&D, processing, production and sales of natural and health food
“Promissory Note”	a Promissory Note in principal amount of HK\$6,000,000 to be issued to the Vendor as part of the consideration pursuant to the Agreement
“Purchaser”	Capital Way Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, which is principally engaged in the business of investment holding, and an indirect wholly-owned subsidiary of the Company
RMB	means Renminbi, the lawful currency of the China. For the purpose of this announcement, an exchange rate of HK\$1 to RMB0.878 has been adopted for illustrative purpose only
“Share(s)”	the ordinary share(s) of HK\$0.025 (each) in the issued share capital of the Company
“Shareholder(s)”	registered holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“QYHK”	Qing Yu Group Limited, a company incorporated in Hong Kong with limited liability, which is principally engaged in the business of holding share interests of QYSZ and an direct wholly-owned subsidiary of the Target Company
“QYSZ”	晴宇商業諮詢管理(深圳)有限公司, a company incorporated in China with limited liability, which is principally engaged in the business of holding share interests of NFF and an direct wholly-owned subsidiary of the QYHK

“Target Company”	Qing Yu International Holding Limited, a company incorporated in Republic of Seychelles with limited liability, which is principally engaged in the business of investment holding
“Target Group”	the Target Company together with its subsidiaries
“Vendor”	Mr. HAI Shixun

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

Hong Kong, 12 August 2019

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

*\* For identification purposes only*