China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8161)

FINAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2005

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This announcement, for which the directors (the "Directors") of China LotSynergy Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

The Directors of China LotSynergy Holdings Limited (formerly known as WorldMetal Holdings Limited) (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the period ended 31 December 2005, together with the comparative figures for the year ended 31 March 2005, as follows:-

CONSOLIDATED INCOME STATEMENT

	Notes	**Period ended 31 December 2005** *HK$'000*	Year ended 31 March 2005 *HK$'000*
Turnover	*3*	**12,040**	52,641
Cost of merchandise sold		**(11,906)**	(52,363)
Staff costs		**(33,163)**	(3,938)
Amortisation of intangible assets		**(88)**	(116)
Depreciation of property, plant and equipment		**(180)**	(429)
Advertising and promotion expenses		**(213)**	–
Provision for impairment of receivables		**–**	(6,260)
General and administrative expenses		**(13,202)**	(2,497)
Loss from operations		**(46,712)**	(12,962)
Other revenues	*3*	**4,274**	572
Loss before income tax		**(42,438)**	(12,390)
Income tax	*4*	**179**	–
Loss for the period/year		**(42,259)**	(12,390)
Attributable to:			
Equity holders of the Company		**(42,146)**	(11,680)
Minority interests		**(113)**	(710)
		(42,259)	(12,390)
Loss per share for loss attributable to the equity holders of the Company during the period/year			
Loss per share – Basic and diluted	*5*	**(3.22) HK cent**	(1.17) HK cent

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2005 HK$'000	As at 31 March 2005 HK$'000
Non-current assets			
Intangible assets		**1,754**	1,842
Property, plant and equipment		**2,480**	827
Investment in an associate		**2**	–
Available-for-sale financial asset/ Long-term investment		**390**	390
Total non-current assets		**4,626**	3,059
Current assets			
Accounts receivable	*6*	**14,524**	18,699
Prepayments, deposits and other receivables	*7*	**34,253**	1,662
Amount due from an associate		**10**	–
Amount due from a related company		**1,587**	1,557
Deposit with a financial institution		**15,385**	15,095
Cash and bank balances		**242,657**	7,122
Total current assets		**308,416**	44,135
Total assets		**313,042**	47,194
Less: Current liabilities			
Accruals and other payables	*8*	**7,235**	1,304
Amounts due to related companies		**197**	193
Income tax payable		**496**	496
Total current liabilities		**7,928**	1,993
Net current assets		**300,488**	42,142
Total assets less current liabilities		**305,114**	45,201
Less: Non-current liabilities			
Deferred income tax liabilities		**–**	179
Net assets		**305,114**	45,022
Capital and reserves			
Share capital	*9*	**14,300**	10,000
Reserves	*10*	**332,757**	35,024
Accumulated losses		**(58,505)**	(16,359)
Capital and reserves attributable to equity holders of the Company		**288,552**	28,665
Minority interests		**16,562**	16,357
Total equity		**305,114**	45,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2005

	Attributable to equity holders of the Company				
	Share capital *HK$'000* *(Note 9)*	**Reserves** *HK$'000* *(Note 10)*	**Accumulated losses** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
Balance as at 1 April 2004, as previously reported as equity	10,000	34,742	(4,679)	–	40,063
Balance as at 1 April 2004, as previously separately reported as minority interests	–	–	–	16,785	16,785
Balance as at 1 April 2004, as restated	10,000	34,742	(4,679)	16,785	56,848
Currency translation differences	–	282	–	282	564
Net income recognised directly in equity	–	282	–	282	564
Loss for the year	–	–	(11,680)	(710)	(12,390)
Total recognised income/(expense) for the year	–	282	(11,680)	(428)	(11,826)
Balance as at 31 March 2005, as restated	10,000	35,024	(16,359)	16,357	45,022
As at 1 April 2005, as per above	10,000	35,024	(16,359)	16,357	45,022
Currency translation differences	–	–	–	318	318
Net income recognised directly in equity	–	–	–	318	318
Loss for the period	–	–	(42,146)	(113)	(42,259)
Total recognised income/(expense) for the period	–	–	(42,146)	205	(41,941)
Share option scheme:					
– value of employee services	–	22,820	–	–	22,820
– value of other participants' services	–	3,459	–	–	3,459
Issue of shares	4,300	297,600	–	–	301,900
Share issue expenses	–	(26,146)	–	–	(26,146)
	4,300	297,733	–	–	302,033
Balance as at 31 December 2005	**14,300**	**332,757**	**(58,505)**	**16,562**	**305,114**

Notes:

1. General information

The Company was formerly known as WorldMetal Holdings Limited. Pursuant to the special resolution passed by the shareholders at the special general meeting held on 29 September 2005, the Company changed its name from WorldMetal Holdings Limited to China LotSynergy Holdings Limited with effect from 11 October 2005 and adopted "華彩控股有限公司" as its Chinese name with effect from 22 October 2005.

The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) operation of metal exchange portals for the provision of online steel trading services, (ii) metal trading, (iii) provision of consultancy and logistics services, and (iv) provision of application software development services. The Group is transforming its principal business to engage in investment, project development and the provision of technologies and equipments and consultancy services in public welfare lottery business and related sectors.

2. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The financial statements have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets at fair value.

The Company announced on 18 November 2005 that the financial year end date of the Company be changed from 31 March to 31 December commencing from the financial year 2005. Accordingly, the financial statements for the current period cover the nine month period from 1 April 2005 to 31 December 2005. The corresponding amounts shown for the consolidated income statement, statement of changes in equity and related notes cover the 12 month period from 1 April 2004 to 31 March 2005 and therefore may not be comparable with the amounts shown for the current period.

Adoption of new/revised HKFRS and changes in accounting policies

In the current period, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets

HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payments
HKRRS 3	Business Combinations

(i) The adoption of new/revised HKASs 1, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 24, 27, 28, 33, 36, 37, 38 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net results of associates and other disclosures.

– HKASs 7, 8, 10, 12, 14, 16, 17, 18, 19, 27, 28, 33, 36 and 37 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

– The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this assessment.

(ii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

(iii) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees or other participants did not result in an expense in the income statements. Effective on 1 April 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods. As the Group did not have any share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not vested as at 1 January 2005, the adoption of HKFRS 2 had had no impact on the accumulated losses as at 31 March 2004 and 2005. The Group has recognised the cost of options which were granted during the period in the current period's income statement in accordance with the revised accounting policy.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 38 – prospectively after the adoption date;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

	Period ended 31 December 2005 HK$'000	Year ended 31 March 2005 HK$'000
The adoption of HKFRS 2 resulted in:		
Increase in accumulated losses	**26,279**	–
Increase in staff costs	**22,820**	–
Increase in general and administrative expenses	**3,459**	–
Increase in loss per share	**2.01 HK cent**	–
The adoption of HKAS 39 resulted in:		
Increase in available-for-sale financial asset	**390**	–
Decrease in long-term investment	**390**	–

The Group has not applied the following new/revised HKFRSs, that have been issued but are not yet effective, to these financial statements:

HKAS 1 (Amendment)	Capital Disclosures *(note i)*
HKAS 21 (Amendment)	Net Investment in a Foreign Operation *(note ii)*
HKAS 39 (Amendment)	The Fair Value Option *(note ii)*
HKFRS 7	Financial Instruments: Disclosures *(note i)*

Notes:

(i) Effective for accounting periods beginning on or after 1 January 2007

(ii) Effective for accounting periods beginning on or after 1 January 2006

The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1 January 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

3. Turnover, revenues and segment information

Revenues recognised during the period/year are as follows:

	Period ended 31 December 2005 HK$'000	Year ended 31 March 2005 HK$'000
Turnover		
Sales of merchandise	**12,040**	52,637
Advertising income	**–**	4
	12,040	52,641
Other revenues		
Interest income from time deposits	**4,274**	327
Others	**–**	245
	4,274	572
Total revenues	**16,314**	53,213

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

(a) Primary reporting format – business segments

The Group is organised into four main business segments namely (i) operations of metal exchange portals for metal trading and ancillary value-chain services; (ii) metal trading; (iii) provision of consultancy and logistics services; and (iv) provision of application software development services.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, receivables and operating cash, and mainly exclude available-for-sale financial assets. Segment liabilities comprise operating liabilities and exclude items such as income tax. Capital expenditure comprises additions to intangible assets and property, plant and equipment.

		Period ended 31 December 2005			
	Metal exchange portals *HK$'000*	**Metal trading** *HK$'000*	**Consultancy and logistics services** *HK$'000*	**Application software development services** *HK$'000*	**Total** *HK$'000*
Turnover	**–**	**12,040**	**–**	**–**	**12,040**
Segment results	**–**	**127**	**–**	**–**	**127**
Unallocated corporate expenses					**(46,839)**
Other revenues					**4,274**
Income tax					**179**
Loss for the period					**(42,259)**
Balance sheet					
Segment assets	**–**	**–**	**–**	**–**	**–**
Unallocated assets					**313,042**
Total assets					**313,042**
Segment liabilities	**–**	**–**	**–**	**–**	**–**
Unallocated liabilities					**7,928**
Total liabilities					**7,928**
Other information					
Capital expenditures	**–**	**–**	**–**	**–**	**–**
Unallocated capital expenditures					**2,052**
					2,052
Depreciation and amortisation	**–**	**–**	**–**	**–**	**–**
Unallocated depreciation and amortisation					**268**
					268

	Year ended 31 March 2005				
	Metal exchange portals *HK$'000*	Metal trading *HK$'000*	Consultancy and logistics services *HK$'000*	Application software development services *HK$'000*	Total *HK$'000*
Turnover	4	52,637	–	–	52,641
Segment results	(3,879)	(938)	–	–	(4,817)
Unallocated corporate expenses					(8,145)
Other revenues					572
Income tax					–
Loss for the year					(12,390)
Balance sheet					
Segment assets	21,515	4,909	–	–	26,424
Unallocated assets					20,770
Total assets					47,194
Segment liabilities	876	20	–	–	896
Unallocated liabilities					1,276
Total liabilities					2,172
Other information					
Capital expenditures	–	–	–	–	–
Depreciation and amortisation	410	7	–	–	417
Unallocated depreciation and amortisation					128
					545

There are no sales or transactions among the business segments.

(b) Secondary reporting format – geographical segments

In respect of geographical segment reporting, sales are based on the destination of delivery of merchandise or where services are delivered. Total assets and capital expenditure are where the assets are located.

The Group has business operations in Korea, Hong Kong and the People's Republic of China (the "PRC"). An analysis by geographical location is as follows:

	As at 31 December 2005			
	Korea	**Hong Kong**	**PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**–**	**–**	**12,040**	**12,040**
Operating results	**(66)**	**(46,041)**	**(605)**	**(46,712)**
Total assets	**4,833**	**288,746**	**19,463**	**313,042**
Capital expenditures	**–**	**2,052**	**–**	**2,052**

	As at 31 March 2005			
	Korea	Hong Kong	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	52,637	4	–	52,641
Operating results	(938)	(10,971)	(1,053)	(12,962)
Total assets	4,909	23,257	19,028	47,194
Capital expenditures	–	–	–	–

There are no sales between the geographical segments

4. Income Tax

	Period ended 31 December 2005	Year ended 31 March 2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**–**	–
– Overseas taxation	**–**	–
	–	–
Deferred income tax	**(179)**	–
	(179)	–

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and accordingly is exempted from income tax in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the payment of British Virgin Islands income taxes. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in or derived from Hong Kong for both the current and prior periods. No provision for the profits tax of subsidiaries operating outside Hong Kong has been made as the subsidiaries did not generate any assessable profits in the respective jurisdictions for both the current and prior periods.

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the period of approximately HK$42,146,000 (Year ended 31 March 2005: HK$11,680,000) by the weighted average number of 1,307,818,182 ordinary shares in issue (Year ended 31 March 2005: 1,000,000,000 shares) during the period. The computation of diluted loss per share has not assumed the exercise of options outstanding during the period because their exercise would reduce loss per share.

6. Accounts receivable

The Group offers an average credit period ranging from one month to three months to its trade customers who have good payment records and well-established relationships with the Group. As at 31 December 2005, the ageing analysis of the accounts receivable is as follows:

	As at 31 December 2005	As at 31 March 2005
	HK$'000	*HK$'000*
Over one year and less than two years	**1,154**	639
Over two years	**28,305**	32,995
	29,459	33,634
Less: Provision for impairment of receivables		
– on amounts due from related companies	**(8,929)**	(8,929)
– on others	**(6,006)**	(6,006)
	(14,935)	(14,935)
	14,524	18,699

The fair values of the Group's accounts receivable included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

7. Prepayments, deposits and other receivables

On 13 January 2006, the Company announced that the Group entered into the subscription agreement on 9 January 2006, pursuant to which the Group has conditionally agreed to subscribe for and Corich International Limited ("Corich") has conditionally agreed to issue 1,000,000 ordinary shares of US$1 each in the share capital of Corich for an aggregate consideration of HK$980,000,000. Corich and its subsidiaries are principally engaged in the provision of video lottery terminals to Beijing Lottery Online Technology Co., Ltd., which is a company established in the PRC and controlled by the China Welfare Lottery Issuance and Administration Centre of the PRC. The transaction was approved pursuant to the ordinary resolution passed by the shareholders at the special general meeting held on 21 March 2006 and completion of the transaction is conditional upon the fulfillment or waiver of certain conditions precedent, details of which are set out in the Company's circular dated 1 March 2006. Included in the balance of prepayments, deposits and other receivables of the Group as at 31 December 2005 is an initial deposit of HK$10 million paid by the Group upon entering into a heads of agreement on 20 December 2005 in connection with the subscription of interest in subscription of interest in Corich.

The fair values of the Group's prepayments, deposits and other receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

8. Accruals and other payables

The fair values of the Group's other payables and accruals included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

9. Share capital

	Authorised ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
As at 1 April 2004, 31 March 2005 and 31 December 2005	2,000,000,000	20,000

	Issued and fully paid ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
As at 1 April and 31 March 2005	1,000,000,000	10,000
New issue of shares *(Note (i))*	200,000,000	2,000
New issue of shares *(Note (ii))*	230,000,000	2,300
As at 31 December 2005	1,430,000,000	14,300

Notes:

(i) Pursuant to the placing agreements dated 7 March 2005 entered with two placees, the Company issued and allotted a total of 200,000,000 new shares of the Company to the placees on 8 April 2005 upon completion thereof.

(ii) Pursuant to the subscription agreements dated 9 August 2005, the Company issued and allotted a total of 230,000,000 new shares of the Company at a subscription price of HK$1.29 per subscription share to the subscribers on 19 August 2005 following the completion of the placing agreements for the placing of 400,000,000 existing shares.

10. Reserves

	Share premium *HK$'000*	Capital reserve *HK$'000*	Cumulative translation reserve *HK$'000*	Share-based compensation reserve *HK$'000*	Total *HK$'000*
As at 1 April 2004	19,865	15,158	(281)	–	34,742
Currency translation differences	–	–	282	–	282
As at 31 March 2005 and 1 April 2005	19,865	15,158	1	–	35,024
Share option scheme					
– value of employee services	–	–	–	22,820	22,820
– value of other participants' services	–	–	–	3,459	3,459
Issue of shares	271,454	–	–	–	271,454
As at 31 December 2005	291,319	15,158	1	26,279	332,757

DIVIDEND

The Directors do not recommend the payment of a final dividend for the nine month period ended 31 December 2005 (Year ended 31 March 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

The Group is principally engaged in investment, project development and the provision of technologies and equipments and consultancy services in public welfare lottery business and related sectors.

Review of business

During the period under review, the management of the Group made aggressive efforts in transformation and achieved progress in the development of lottery-related business, establishing the foundation for the future growth of the Group.

1. As regards TIHK Joint Venture and TCA

   In June 2005, the Group entered into a shareholders' agreement with a subsidiary of Tabcorp Holdings Limited ("Tabcorp") in Australia. Pursuant to the agreement, the Group and the Tabcorp Group formed a joint venture company, namely Tabcorp International Hong Kong Limited ("TIHK"), which is owned as to 33% by the Group and 67% by the Tabcorp Group.

   In July 2005, TIHK and Beijing Lottery Online Technology Co., Ltd. ("CLO") entered into a Technical Cooperation Agreement ("TCA"), pursuant to which TIHK would provide equipment (including sales terminals), software (including source codes) and relevant technical services for a term of ten years.

   The Tabcorp Group is a renowned gaming and entertainment group in Australia. It manages a number of leading customer brands in Australia, including StarCity and Jupiters casinos and TAB, Tabaret, KENO and TAB Sportsbet.

   CLO is an advanced technology company established with the approval of the Ministry of Civil Affairs. It is controlled by China Welfare Lottery Issuance and Administration Centre of the PRC and is licensed to operate and run 中福在線 (the China Welfare Lottery Online) instant lottery (including VLT and KENO) technical and sales system in the PRC.

2. As regards Video Lottery Business

   On 9 January 2006, the Group and Corich International Limited ("Corich") entered into a subscription agreement, pursuant to which the Group would subscribe for 1,000,000 shares of Corich, representing either approximately 33.3% or 50% (depending on whether the redemption rights under the agreement will be exercised) in the issued share capital of Corich as a result of the subscription, for a consideration of HK$980 million to be satisfied by way of cash and issue of shares.

   Dongguan Tianyi Electronics Company Limited ("Tianyi Electronics"), a wholly-owned subsidiary of Corich, is principally engaged in the manufacturing, and is a provider, of video lottery terminals ("VLT"). In 2005, Tianyi Electronics and CLO entered into an agreement, pursuant to which Tianyi Electronics would provide VLTs to the Lottery Online Halls（「中福在線」即開型彩票銷售廳） for a term of ten years.

3. As regards Placing

To satisfy its capital commitments and the consideration for the subscription under the above agreements, and to provide working capital for its future operations, the Group successfully completed two placing exercises. In August 2005, a total proceeds of approximately HK$270 million was raised from a placing of shares of the Company at the price of HK$1.29 per share. In January 2006, a total proceeds of approximately HK$630 million was raised from a placing of shares of the Company at the price of HK$3.675 per share.

Business Outlook

The Group keeps a close eye on the developments in the PRC's welfare lottery market and is confident in the prospect of its business operations.

In China, the issue of lottery is a business of public welfare nature and is totally directed by PRC government authorities. At present, the issuance and operation of lotteries in China are restricted to the government or government-authorised organisations. Participation of foreign enterprises in the PRC lottery industry is limited to provision of equipment and technical support only.

Lottery business had a late start in the PRC. Compared with well-developed lottery industries of other countries, China considerably lags behind in various aspects such as the technology and equipment and the game structure, particularly the increasingly popular video lottery games.

Emerging along with development in modern telecommunication and networking technologies, video lottery games enjoy growing prevalence and a bright prospect in the development of the global lottery sector. VLTs are capable of executing an extensive range of games featuring immense entertainment, amusement and interactivity and are thus very popular among players.

Despite its late start, the instant lottery sector in the PRC exhibited robust growth potential. The issuance and sales of instant lottery products are restricted to the Lottery Online Halls, which are directly invested, set up and operated by the provincial and municipal lottery welfare centres (彩票福利中心). At present, there are over 230 approved Lottery Online Halls and more than 5,000 VLTs, which are exclusively manufactured and provided by the Corich Group, throughout the PRC. Given the political backdrop where the PRC government severely combat illegal lottery, underground casino and online betting on the one hand, and aggressively promotes welfare lottery on the other, the prospects of the video lottery business are encouraging.

The acquisition of the Corich Group further expanded and reinforced the Group's core business in participating in the PRC's welfare lottery market. At the same time, with an international vision, the Group actively sought after suitable business partners or targets for mergers or acquisitions in appropriate business sectors. In January 2006, China LotSynergy Group Limited, a wholly-owned subsidiary of the Group, entered into a heads of agreement with Octavian International Limited ("Octavian"), a company headquartered in the United Kingdom, in respect of the possible acquisition of equity interests in Octavian. Pursuant to this heads of agreement, the Group intended to acquire 90% equity interests in Octavian by way of cash and issue of shares. Headquartered in the United Kingdom, Octavian operates sales offices and technical centres in Argentina, Colombia, India, Italy, Russia and Spain. It boasts a management team of advanced technology and extensive experience appropriate to its lottery business. In case of successful acquisition of Octavian, the Group will create synergy among various aspects such as specialists of the business, expertise and the foreign and domestic markets. Building on this basis, it is committed to improving the design and quality of the VLTs and enriching game offerings and contents to cater to the specific needs of the PRC market. In addition, it is the Group's intention to continue to boost its capability of production and provision of VLTs, and to capitalize on the market position of Octavian in Russia, Europe, South America and Asia for exploring the international market for VLTs.

The Group is committed to provide strong support to the welfare lottery sector by focusing on the development of its lottery business. The Group is fully confident in its competitive advantage and future prospect. As always, it is dedicated to endeavouring for the sustained and steady growth of return to its shareholders.

Financial Review

The Group recorded an audited consolidated turnover of approximately HK$12,040,000 for the nine month period ended 31 December 2005 (Year ended 31 March 2005: HK$52,641,000). The audited consolidated loss attributable to equity holders of the Company for the nine month period ended 31 December 2005 amounted to approximately HK$42,146,000 (Year ended 31 March 2005: HK$11,680,000).

Liquidity, Financial Resources and Gearing Ratio

The Group's total equity increased to HK$305,114,000 at 31 December 2005 from HK$45,022,000 at 31 March 2005. The net current assets of the Group were approximately HK$300,488,000 (As at 31 March 2005: HK$42,142,000) as at 31 December 2005, including cash and deposits with banks and financial institution of approximately HK$258,042,000 (As at 31 March 2005: HK$22,217,000). At 31 December 2005, the Group had no banking facilities nor bank borrowings (As at 31 March 2005: Nil and Nil).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 31 December 2005 was approximately 2.5% (As at 31 March 2005: 4.6%).

Material Acquisitions and Disposals of Investments and Future Plans for Material Investment

China LotSynergy Limited, a wholly-owned subsidiary of the Company, and Tabcorp International No.1 Pty Limited, a wholly-owned subsidiary of Tabcorp Holdings Limited ("Tabcorp") in Australia, and others entered into a shareholders' agreement on 8 June 2005 for the formation of a joint venture company, namely Tabcorp International Hong Kong Limited ("TIHK"), which is owned as to 33% by the Group and 67% by Tabcorp Group. The total capital commitment in respect of the formation of TIHK is approximately HK$180 million, of which the Group's contribution is approximately HK$59 million.

On 23 July 2005, TIHK entered into a technical cooperation agreement ("TCA") with Beijing Lottery Online Technology Co., Ltd. ("CLO") and Tabcorp International Pty Limited, under which TIHK would assist CLO to build and develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC. Pursuant to the TCA, TIHK will provide CLO with software, central system, terminals and other technical support for its operation and other ancillary training and marketing and promotion assistance. TIHK will initially utilize funding from its share capital in connection with the provision of the abovementioned services. The board of TIHK will decide as and when necessary when further fundings will be required in the future under the TCA.

China LotSynergy Group Limited ("CLG"), a wholly-owned subsidiary of the Company, and Corich International Limited ("Corich") and others entered into a subscription agreement on 9 January 2006, pursuant to which the Group would subscribe for 1,000,000 shares of Corich, representing either approximately 33.3% or 50% (depending on whether the redemption rights under the agreement will be exercised) in the issued share capital of Corich as a result of the subscription, for a consideration of HK$980 million, to be satisfied as to HK$500 million by cash and as to HK$480 million by the allotment and issue of 200,000,000 shares of the Company. An initial deposit of HK$10 million was paid on 20 December 2005 and a further deposit of HK$20 million was paid on 12 January 2006 in accordance with the agreement. The Group has completed a placing and top-up subscription of 180,000,000 shares of the Company in January 2006, raising a net proceeds of approximately HK$631.8 million which are intended to be partly used to settle the cash element of the consideration of HK$470 million.

On 10 January 2006, CLG entered into a heads of agreement, pursuant to which the Group intended to acquire 90% interest in Octavian International Limited by way of cash and issue of shares. The proposed acquisition is subject to the entering into of a formal agreement between the parties.

To reflect its business transformation, the Group will proceed to settle its existing business when appropriate.

Capital Structure

The Directors believe that the Group has sufficient working capital which will be generated from operations and funded by the net proceeds from the placing of shares in 2005 and 2006.

Exposure to Exchange Rates Fluctuation

Majority of the revenue-generating operations of the Group during the period are transacted in USD and Korean WON, both of which are freely convertible currencies. Historical exchange rates of these two currencies have been stable. The Group is in the view that exposure to exchange rate risks is considered very minimal. The Group did not enter any foreign forward contracts to hedge against exchange rates fluctuations.

Segment Information

The Group's business segments consist operations in metal exchange portals, metal trading, provision of consultancy and logistics services and application software development services. Details of the business segments are set out in note 3 to the financial results.

Pledge of Asset

As at 31 December 2005, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (As at 31 March 2005: Nil).

Contingent Liabilities

As at 31 December 2005, the Group did not have any material contingent liabilities (As at 31 March 2005: Nil).

Staff

As at 31 December 2005, the Group employed 27 staff members. The management is strongly convinced that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

RESIGNATION OF DIRECTOR

Mr. YU Wing Keung, Dicky had resigned as an Executive Director of the Company with effect from 11 April 2005.

APPOINTMENT OF DEPUTY CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. SUN Ho was appointed as the Chief Executive Officer of the Company on 1 August 2005 and was appointed as the Deputy Chairman and an Executive Director of the Company on 3 October 2005.

CHANGE OF COMPANY NAME

The Company had changed its name from "WorldMetal Holdings Limited" to "China LotSynergy Holdings Limited" with effect from 11 October 2005 and had adopted "華彩控股有限公司" as its Chinese name with effect from 22 October 2005.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

The head office and principal place of business of the Company was changed to Unit 3206, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong with effect from 28 October 2005.

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company be changed from 31 March to 31 December commencing from the financial year 2005. Accordingly, the current financial period will cover a 9-month period from 1 April 2005 to 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2005.

Subsequent to the period, the Company repurchased a total of 8,168,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in February 2006 pursuant to the general mandate granted by the shareholders at the annual general meeting held on 29 September 2005.

PLACING OF SHARES

(1) Pursuant to the two placing agreements dated 7 March 2005, the Company issued and allotted a total of 200,000,000 new shares of the Company to the relevant placees on 8 April 2005 upon completion thereof. Total net proceeds from the pacing of approximately HK$5 million was used as the Group's general working capital as intended.

The above placing shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 3 August 2004.

(2) Pursuant to the subscription agreements dated 9 August 2005, the Company issued and allotted a total of 230,000,000 new shares of the Company at a subscription price of HK$1.29 per subscription share to the subscribers on 19 August 2005 following the completion of the placing agreements for the placing of 400,000,000 existing shares. The Company raised a sum of approximately HK$271 million through the said placing and the subscription and the fund was intended to be used: (i) as to approximately HK$59 million to pay up the capital commitment of TIHK; and the remaining balance be used (ii) for investing in other relevant business opportunities that may arise in the future; and (iii) for the Company's general working capital.

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the special general meeting of the Company held on 4 July 2005.

(3) Pursuant to the subscription agreements dated 17 January 2006, the Company issued and allotted a total of 180,000,000 new shares of the Company at a subscription price of HK$3.675 per subscription share to the subscribers on 27 January 2006 following the completion of the placing agreements for the placing of 180,000,000 existing shares. The Company raised a sum of approximately HK$631.8 million through the placing and the subscription and the fund is intended to be used: (i) as to approximately HK$470 million to pay the cash consideration under the subscription agreement amongst the Company, Corich International Limited and others dated 9 January 2006; and (ii) for the Company's general working capital.

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 29 September 2005.

ISSUE OF SHARES

The Company issued a total of 120,000 new shares of the Company upon the exercise of share options by the optionholders in January 2006.

COMPETING INTERESTS

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")) and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises the three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. KING Roger and Mr. LI Xiaojun. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial results of the Group for the nine months ended 31 December 2005 have been reviewed by the Audit Committee.

During the nine months ended 31 December 2005, the Audit Committee has met three times to review the Company's financial reports, review and supervise the financial reporting process, and to provide advices and recommendations to the Board of Directors.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2005, except for the following deviations:

– Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company (the "Bye-laws"). The Directors have not been required by the Bye-laws to retire by rotation at least once every three years. However, in accordance with Bye-law 99 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with Code provisions. The Chairman will not be subject to retirement by rotation as the Board considered that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

– Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee pursuant to the said code provision during the period under review. Nevertheless, a committee comprising the Chairman, the Chief Executive Officer and the Head of Personnel Department has been responsible for determining and reviewing the Group's overall remuneration policy and structure for the remuneration of the Directors, but no Director will be involved in deciding his own remuneration. The Board considers to establish a remuneration committee as soon as practicable in order to comply with Code provision B.1.1 of the Code.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board consider appropriate.

REQUIRED STANDARD OF DEALING REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in the Code of Conduct.

On behalf of the Board
LAU Ting
Chairman

Hong Kong, 28 March 2006

As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as executive directors and Mr. King Roger, Mr. Huang Shenglan and Mr. Li Xiaojun as independent non-executive directors.

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