

China LotSynergy Announces First Quarterly Results in 2012

Maintained consistent growth in earnings with further optimized business portfolio

Financial Highlights	For the 3 months ended 31 March (HK\$'000)		
	2012	2011	Change
Turnover	154,787	111,619	+38.7%
Gross Profit	126,123	91,652	+37.6%
Profit to Equity Holders	22,677	19,532	+16.1%
Basic Earnings per Share	0.31 HK cents	0.26 HK cents	+19.2%

(Hong Kong, 26 April 2012) – China LotSynergy Holdings Limited (HKEx: 8161) (“China LotSynergy” or “the Group”) yesterday announced its first quarterly results for the 3 months ended 31 March 2012 (“The Period” or “Q1”). Benefiting from an approximately 30% year-on-year growth in the lottery industry, the Group achieved steady progress in its major business segments. Turnover was approximately HKD 154.8 million (2011: approximately 111.6 million), representing approximately 38.7% growth. Gross profit and profit to equity holders was approximately HKD 126.1 million (2011: approximately 91.7 million) and HKD 22.7 million (2011: approximately 19.5 million) respectively, representing approximately 37.6% and 16.1% growth respectively compared to the same period last year.

The spokesperson of China LotSynergy stated: “There are challenges and opportunities in 2012 for the China lottery market. In the quarter under review, the market continued to show impressive performance, while the Implementation Details of the Regulations on the Administration of Lottery taking effect from 1 March represents a major milestone in the legal development and regulated management of lottery in China. The Group further optimized its business portfolio by maintaining healthy growth in its established lottery business segments and particularly reinforcing its development and competitive advantages in its new media lottery business segment. Expecting strong momentum to continue in its businesses in 2012, the Group strives to deliver outstanding results to its shareholders in the long run.”

Business Review

China Welfare Lottery Video Lottery Terminal (VLT) business recorded 30% growth YOY with average daily sales per terminal reaching all-time high at RMB 2,900.

With over 20,000 terminals connected in more than 860 sales venues across 28 provinces in China, VLT has become a major growth driver for the rapid development of welfare lottery in China. The segment achieved first quarterly sales of approximately RMB4.82 billion, representing an increase of approximately 30.2% year-on-year, while the average daily sales per terminal reached an all-time high to approximately RMB2,900 or 25% growth YOY.

The trial run of the next generation terminal or third-generation terminal for VLT, which took place at selected sales venues in Hebei Province and Tianjin in the past two quarters, was very successful. Recently, the Group has received a new order of 3,000 units of the third-generation terminal, which will be produced and rolled out in the near term.

CTG business in Guangdong recorded 37% growth YOY. The Group targets to achieve breakthroughs in both Welfare Lottery and Sports Lottery

In the first quarter, total sales of the nation's Welfare Lottery CTGs reached approximately RMB25.45 billion, and Guangdong remained as the top contributor with approximately 37% growth compared to last year. The Group has maintained its strong foothold in the Guangdong CTG market and will continue to increase the total number of terminals in the field as an effort to boost sales.

With advanced technology and innovation capability in the terminal and system as well as exclusive intellectual property rights and product advantages, the Group will endeavor to compete for more Welfare Lottery provincial contracts in addition to Guangdong Province. On the other hand, the Group is expected to expand its presence in the Sports Lottery space by supplying terminals and services in various provinces in the near future.

High Frequency Lottery Business (KENO) maintained steady growth with sales achieved 42% growth YOY

Keno recorded approximately 42% growth in sales for the first quarter year-on-year. The steady growth was achieved in spite of the competition from other provincial high-frequency lottery games and the 50% payout ratio. The growth demonstrates the unique appeal of Keno, the only nationwide hi-frequency lottery product under Welfare Lottery.

The Group will continue to lobby for the increase of the payout ratio and terminal connection rate. Especially, Keno has been selected as a priority development product in the 12th Five-Year Plan of Welfare Lottery, and included together with CTG, scratch card and VLT as the four main lottery products under Welfare Lottery.

Business development in New Media Lottery Business is at full speed

Closely following the requirements of the lottery authorities, the Group has formed different partnerships and generated a remarkable growth of approximately 360% in telephone lottery business compared to the same period of last year.

The group made further efforts in addressing customers' requirements on product, technology and operation. The launch of the Group's new-version of lottery mobile client-end in all mainstream online application stores was widely appraised by customers and cooperation partners as evident in increasing downloads and sales. The cooperation with financial institutions including the China Merchants Bank, Bank of Communications and Union Pay on mobile client-end has been enhanced. The Group continued to cooperate closely with China Mobile, China Unicom and China Telecom to offer optimized products and solutions nationwide.

The Group achieved significant progress in its new-type lottery business. In the face of new development opportunities, exceptional efforts of the relevant businesses are being made at full speed to prepare for the early commencement of commercial operation. On the technology side, the Group has further enhanced the functionality and performance of its system for the timely delivery of the most secure and reliable system to its customers. On the product side, the Group continues to innovate and aims to build a new-type lottery platform maximizing player experience and create new-type lottery games set to stun the market.