



China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8161)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

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* For identification purposes only

RESULTS (UNAUDITED)

The board of directors (the “Board” or the “Directors”) of China LotSynergy Holdings Limited (the “Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2011, together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 March	
	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
Turnover	2	111,619	43,661
Costs of sales and services	3	(19,967)	(10,889)
Gross profit		91,652	32,772
Other income and gains	4	12,216	1,699
General and administrative expenses		(32,965)	(28,054)
Share option expenses		(902)	(3,777)
Operating profit	5	70,001	2,640
Imputed interest expense on redeemed convertible note	6	—	(6,916)
Finance costs	6	(5,417)	(134)
Share of losses of jointly-controlled entities		(3,299)	(2,950)
Profit/(Loss) before income tax		61,285	(7,360)
Income tax	7	(12,826)	(1,084)
Profit/(Loss) for the period		48,459	(8,444)
Profit/(Loss) attributable to:			
Equity holders of the Company		19,532	(18,694)
Non-controlling interests		28,927	10,250
		48,459	(8,444)
Earnings/(Loss) per share attributable to equity holders of the Company during the period			
— basic	8	0.26 HK cents	(0.25) HK cents
— diluted	8	0.26 HK cents	(0.25) HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2011	2010
	HK\$'000	HK\$'000
Profit/(Loss) for the period	48,459	(8,444)
Other comprehensive income:		
Fair value loss on available-for-sale financial assets	(8,664)	(710)
Currency translation differences	493	18
	<u>(8,171)</u>	<u>(692)</u>
Other comprehensive income for the period, net of tax	<u>(8,171)</u>	<u>(692)</u>
Total comprehensive income for the period	<u>40,288</u>	<u>(9,136)</u>
Attributable to:		
Equity holders of the Company	11,361	(19,386)
Non-controlling interests	28,927	10,250
	<u>28,927</u>	<u>10,250</u>
Total comprehensive income for the period	<u>40,288</u>	<u>(9,136)</u>

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules of the Stock Exchange.

The principal accounting policies and methods of computation used in the preparation of these results are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2010.

The Group has adopted the standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2011. The adoption of such standards, amendment and interpretations did not have material effect on these results.

2. Turnover

The Group is a technology and service provider of lottery systems, terminal equipment, game products and marketing operation to the public welfare lottery industry in China. The principal businesses of the Group cover computer ticket game (“CTG”), high frequency lottery, video lottery and new media lottery. An analysis of the Group’s turnover for the periods is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2011	2010
	HK\$’000	HK\$’000
Turnover		
Income from provision of lottery terminals	101,230	43,419
Income from sales of equipment	9,565	60
Income from provision of consultancy services	824	182
	111,619	43,661

3. Costs of sales and services

	Unaudited	
	Three months ended	
	31 March	
	2011	2010
	HK\$’000	HK\$’000
Depreciation of lottery terminals	8,232	7,387
Business tax	5,631	2,220
Cost of inventories recognised as expense	4,460	28
Other costs of sales and services	1,644	1,254
	19,967	10,889

4. Other income and gains

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Fair value gain on financial assets at fair value through profit or loss	11,510	1,154
Interest income from bank deposits	706	401
Rental income	—	144
	<u>12,216</u>	<u>1,699</u>

5. Operating profit

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Operating profit is stated after charging:		
Staff costs (excluding share option expenses)	16,249	13,163
Amortisation of intangible assets	1,632	1,632
Depreciation of other items of property, plant and equipment	2,154	1,275
	<u>19,035</u>	<u>16,070</u>

6. Finance costs

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Interest expense on bank borrowings	301	134
Imputed interest expense on convertible note	5,116	6,916
	<u>5,417</u>	<u>7,050</u>
Less: Imputed interest expense on redeemed convertible note	—	(6,916)
	<u>5,417</u>	<u>134</u>

7. Income tax

	Unaudited Three months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
Current tax		
— People's Republic of China ("PRC") Enterprise Income Tax	14,090	1,421
Deferred tax		
— Origination and reversal of temporary differences	(1,264)	(337)
	<u>12,826</u>	<u>1,084</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the three months ended 31 March 2011 (2010: Nil).

8. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the periods.

	Unaudited Three months ended 31 March	
	2011	2010
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)	<u>19,532</u>	<u>(18,694)</u>
Weighted average number of ordinary share in issue	<u>7,403,784,000</u>	<u>7,402,164,000</u>
Basic earnings/(loss) per share	<u>0.26 HK cents</u>	<u>(0.25) HK cents</u>

8. Earnings/(loss) per share (*Cont'd*)

(b) *Diluted*

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited Three months ended 31 March	
	2011	2010
Profit/(Loss) attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>19,532</u>	<u>(18,694)</u>
Weighted average number of ordinary share in issue	7,403,784,000	7,402,164,000
Effect of dilutive potential ordinary shares: — Share options	<u>5,931,442</u>	<u>—</u>
Weighted average number of ordinary shares for calculating diluted earnings/(loss) per share	<u>7,409,715,442</u>	<u>7,402,164,000</u>
Diluted earnings/(loss) per share	<u>0.26 HK cents</u>	<u>(0.25) HK cents</u>

The computation of diluted earnings/(loss) per share has not assumed the conversion of convertible note since its conversion would result in an increase/a decrease in earnings/(loss) per share. The computation of diluted loss per share for the three months ended 31 March 2010 has not assumed the exercise of share options because their exercise would reduce the loss per share.

9. Share capital

	Unaudited Authorised ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2011 and 31 March 2011	<u>16,000,000,000</u>	<u>40,000</u>

	Unaudited Issued and fully paid ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2011	7,402,164,000	18,505
Share options exercised	<u>1,800,000</u>	<u>5</u>
At 31 March 2011	<u>7,403,964,000</u>	<u>18,510</u>

10. Reserves and accumulated losses

	Unaudited								
	Three months ended 31 March 2011								
	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000	Available-for-sale investments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 January 2011	1,546,166	21,388	15,158	41,566	56,184	11,834	22,110	(808,897)	905,509
Profit for the period	—	—	—	—	—	—	—	19,532	19,532
Share option scheme:									
— value of employee services	—	—	—	—	898	—	—	—	898
— value of other participants' services	—	—	—	—	4	—	—	—	4
— share options exercised	1,093	—	—	—	(549)	—	—	—	544
Release of revaluation reserve upon depreciation of leasehold land and building	—	—	—	—	—	(60)	—	60	—
Disposal of available-for-sale financial assets	—	—	—	—	—	—	(7,149)	—	(7,149)
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(8,664)	—	(8,664)
Currency translation differences									
— overseas jointly controlled entities	—	—	—	493	—	—	—	—	493
Balance as at 31 March 2011	<u>1,547,259</u>	<u>21,388</u>	<u>15,158</u>	<u>42,059</u>	<u>56,537</u>	<u>11,774</u>	<u>6,297</u>	<u>(789,305)</u>	<u>911,167</u>

	Unaudited								
	Three months ended 31 March 2010								
	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000	Available-for-sale investments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 January 2010	1,546,166	20,080	15,158	31,317	46,696	11,974	3,029	(876,657)	797,763
Loss for the period	—	—	—	—	—	—	—	(18,694)	(18,694)
Share option scheme:									
— value of employee services	—	—	—	—	3,735	—	—	—	3,735
— value of other participants' services	—	—	—	—	42	—	—	—	42
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(710)	—	(710)
Currency translation differences									
— overseas jointly controlled entities	—	—	—	18	—	—	—	—	18
Balance as at 31 March 2010	<u>1,546,166</u>	<u>20,080</u>	<u>15,158</u>	<u>31,335</u>	<u>50,473</u>	<u>11,974</u>	<u>2,319</u>	<u>(895,351)</u>	<u>782,154</u>

11. Event after the reporting period

As announced by the Company on 14 February 2011, the Group entered into an equity interests transfer agreement with Mr. Zheng Min and Ms. Liu Juan and conditionally agreed to acquire 70% of the equity interests in 重慶拓扣網絡科技有限公司 (“Chongqing Tuokou”) for aggregate consideration of RMB21,000,000 (approximately HK\$24,851,400), which shall be satisfied by payment of cash and issue of consideration shares. Chongqing Tuokou is a lottery sales service provider engaged in the research and development and operation of a sales platform for high frequency lottery games in China. The completion of this acquisition took place on 13 April 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a technology and service provider on lottery systems, terminal equipment, game products and marketing operation to the public welfare lottery industry in China. The principal businesses of the Group cover computer ticket game (CTG), high frequency lottery, video lottery and new media lottery. Through professional and effective operation management coupled with well-built technical competencies, the Group has established a solid foundation and its reputation within the industry with comprehensive capability for sustainable development.

Driven by the promulgation of the Regulation of Administration of Lotteries and new favourable policies, the lottery industry in China has entered a new era of new technology, new distribution channels and featuring new offering of lottery products. Adhering to its core values of being a dedicated, practical and innovative organization, supported by its in-house technical and business development capabilities, the Group seeks to capture such new lottery opportunities in the new era.

BUSINESS REVIEW AND OUTLOOK

Total sales of lottery (Welfare and Sport combined) in China in the first quarter of 2011 exceeded RMB46.3 billion, representing a 33% increase over the same period in 2010.

The group's CTG and VLT business delivered outstanding results, with the sales of video lottery game maintaining the strongest growth, and KENO, the high frequency game demonstrating a good turnaround. On new media lottery, the Group remains committed to and is optimistic about the development in this area with strategic planning, strong technology, innovation and streamlined operation.

Video Lottery Business

China Welfare Lottery Video Lottery (VLT) Business

Issued with the mission of helping the aged, the disadvantaged, the needy and providing disaster relief (“扶老、助殘、救孤、濟困、賑災”), VLT is a high technology based lottery game, continuing to play a vital role in the China lottery industry. The Group is the exclusive equipment provider for VLT, which remains a major revenue contributor for the Group. The sales in the first quarter of 2011 represent an increase of 160% as compared to the same period in 2010. Daily sales nationwide and per terminal maintain healthy and consistent growth. Although there is huge demand for more terminals from the provinces, the supply of terminals have been lagging in the first quarter as a new terminal model developed for VLT is pending state approval to roll out. Based on the current daily sales per terminal, it is estimated that the total sales for VLT in 2011 will reach a record high of RMB16 billion.

With continuous investment in terminals, systems and games for VLT, the Group's design, research and development, production and manufacturing capability (in new hardware and software products), as well as project operation and management have reached a new height. The appearance of the new VLT terminal is stylish with complete and robust features, which is scheduled for launch in the market not later than the fourth quarter of this year.

CTG and High Frequency Lottery Business

CTG Business

The Group has set a strong foothold in the traditional CTG space, exclusively providing betting terminal equipment and operation maintenance to Welfare Lottery in Guangdong province, the leading lottery selling province in China. In the first quarter of 2011, sales of Welfare Lottery in Guangdong province achieved an increase of 20% over the same period in 2010. The Group will provide an additional several thousand betting terminals to Guangdong Welfare Lottery for its plan to increase its CTG market share, which is expected to result in stronger sales growth for the province, contributing to the development of welfare lottery in the province. Apart from being a long-term provider of quality products and service to Guangdong province, the Group has obtained a new contract to provide terminals and maintenance services to Shenzhen Welfare Lottery. Possessing intellectual property rights in certain core parts of the betting terminal including the lottery scanner and reader, the Group will continue to maintain its leading advantage in its terminal products with constant innovation and improvement. Meanwhile, through independent research and development and strategic cooperation, the Group is confident about gaining more market share. Overseas, the Group has succeeded in exploring markets in Europe and Southeast Asia, securing orders in Russia and other countries.

High Frequency Lottery Business (KENO)

CLS-GTECH Company Limited, a joint venture company between the Group and GTECH Corporation, is the exclusive provider of the system, terminals and operation maintenance for KENO, the only nationwide high frequency game of Welfare Lottery. Significant growth has been seen in the sales of Keno from middle 2010, especially in Liaoning province and Hebei province, where average daily sales per terminal ("ADSPT") exceeded RMB2,200 to become the best performing CTG by ADSPT in their province respectively. With higher payout ratio for the game to be approved soon, the demand for more terminals will come gradually from the provinces. The Group will assist the lottery issuance and administration authority to improve terminal connection rate and ADSPT, which are the pre-requisites for increasing sales of the game substantially. It is worth mentioning that while the ADSPT in Liaoning and Hebei is maintained at a comparatively higher level, the game has no adverse impact on the sales of other lottery games available within their province. This proves KENO to be an incremental product to existing game offerings and a unique high frequency game with huge potential as seen worldwide. In addition, in the quarter under review, the Group took steps to assist Hunan province in the development of KENO in the province by directly participating in the management of sales outlets, training of staff and sales. The aim is to provide a new perspective for the marketing of the game. The management believes that after increase of the payout ratio, and flexible measures peculiar to the operation of the game being introduced, KENO will overcome the current bottleneck to grow rapidly in China.

New Media Lottery Business

The announcement by Ministry Of Finance of the two interim regulations on sales of lottery via telephone and Internet provides vital policy protection for the business of sales of lottery via telephone and Internet, thus driving the Group's new media lottery business. In the period under review, the Group continues its efforts in the development of partnership with various distribution channels including telecom operators and financial institutions, and enhancement of its new media business portfolio with the acquisition of Chongqing Tuokou, setting a strong foundation for the rapid development of the new media business.

In line with new policies, the Group introduced an upgraded version of its lottery information portal www.huacai.com, which was launched in January and well received by users. As part of its efforts to enhance its Internet services provision, the Group acquired a 70% stake in Chongqing Tuokou Network Technology Company Ltd. This is to strengthen the Group's capability in sales of high frequency games on new media channels to contribute additional revenue to the group, while getting better prepared on technology, product and operation for obtaining the Internet lottery sales licence. The cooperation with telecom operators has been further enhanced: the cooperation contract with China Unicom has been renewed after the electronic lottery business under their cooperation has been officially on line for one year, and well approved of by the partner. Cooperation with China Mobile on mobile payment has been stepped up while certain services are being provided to its Monternet including provision of lottery information. The collaboration with financial institutions including banks and Union Pay has progressed swiftly during the quarter under review, with more lottery products being made available for the mobile lottery business in cooperation with Bank of Communications; and teaming up with Union Pay's Sichuan branch, the mobile e-business arm of Union Pay, to preload the Groups' lottery application in their mobile payment products. The latter business was launched in the quarter under review and immediately demonstrated an upward growth trend to become a major and innovative mobile payment application of Union Pay. The cooperation with Bank of Communications and Union Pay represent a milestone for the Group's business development with financial institutions. Last but not least, the Group's cooperation with mobile phone manufacturers and middleware providers has been further strengthened to broaden its network of distribution channels.

Achievement has also been made in the electronic instant scratch ticket. By making reference to mature system architecture adopted in overseas markets and employing state-of-art technology, the Group has completed the development of an integrated electronic instant scratch ticket system supporting multiple games and a variety of game terminals. With such advanced technical system and a strong customer base, the Group is confident about making further breakthrough in this area to complete its strategic planning in new media lottery.

The Group believes that it now possesses a complete set of qualifications including permit for Internet value-added service, permit for telecommunication value-added service, third party testing certificate on mobile and Internet system, third party testing certificate on electronic instant scratch ticket system in full preparation on technology, product and operation for obtaining mobile and Internet lottery sales licences. The Group believes that through constant exploration and innovation, it will lead the development of lottery technology toward an electronic, diverse and all-in direction.

Technical Competency

New lottery products or new lottery distribution channels will not succeed without the best technological support. To this end, the Group has built its own technical team with full capabilities including system and platform development, game development, terminal development, testing, operation and maintenance, as well as QA/QC, and owned various self-developed product technology and intellectual property rights. The ultimate aim is to provide our customers including state and provincial lottery issuance and sales authorities with the most robust, stable and secure technical system and support in various lottery business segments in which the Group is engaged.

The Group obtained the CMMI (Capability Maturity Model Integration) II accreditation in 2010 to ensure all internal processes are executed in strict adherence to this international process standard, and become one of the few lottery technology providers in the nation with such international software competence qualification. The Group will strive to achieve more advanced system and quality assurance accreditation, with an aim to providing the Group's businesses with the best quality products, technical support and service assurance.

CONCLUSION

2011 will be the year to see leapfrog development in the China lottery industry, with lottery sales for the year expected to hit a new record high. Following state approval for applying new media channels to lottery sales coupled with increased domestic spending, China will soon become the largest lottery market in the world. With detailed and thoughtful strategic planning for business development in 2011, we remain highly optimistic about the prospect of lottery development in China, and hence our operating results for the year.

The Group will continue to identify other profitable investment opportunities and businesses that will create strategic value, enhance its business portfolio, and strengthen its revenue base and profitability, in order to provide long-term and stable returns to its shareholders.

FINANCIAL REVIEW

In the first quarter of 2011, the Group recorded a turnover of approximately HK\$111.6 million (first quarter of 2010: approximately HK\$43.7 million), representing an increase of approximately 156% over the same period of last year. Due to improving sales from VLT and CTG businesses, profit attributable to equity holders for the period amounted to approximately HK\$19.5 million, as compared with the loss of approximately HK\$18.7 million in the first quarter of 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, the interests and short positions of the Directors and chief executives of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the “SFO”)) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(1) Interests in Shares of the Company

Name of Directors	Number of shares			Total	Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests		
LAU Ting	259,974,373(L)	389,286,426(L) (Note 1)	867,762,948(L)	1,517,023,747(L)	20.49%(L)
			23,093,192(S)	23,093,192(S)	0.31%(S)
			(Notes 2 & 3)	(Note 3)	
CHAN Shing	389,286,426(L)	259,974,373(L) (Note 4)	867,762,948(L)	1,517,023,747(L)	20.49%(L)
			23,093,192(S)	23,093,192(S)	0.31%(S)
			(Notes 2 & 3)	(Note 3)	
HUANG Shenglan	4,000,000(L)	—	—	4,000,000(L)	0.05%(L)

Notes:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 147,162,496 shares, includes abovementioned 23,093,192 shares, were held by Hang Sing Overseas Limited (“Hang Sing”) which was owned as to 51% by Orient Strength Limited (“Orient Strength”), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 shares were held by Strong Purpose Corporation (“Strong Purpose”), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 580,932,594 shares were held by Glory Add Limited (“Glory Add”) which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 shares were held by Burwill Holdings Limited of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders.
- As the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other, the figures referred to the same shares.
- These shares were owned by Ms. LAU Ting.
- The letter “L” denotes long position(s) and the letter “S” denotes short position(s).

(2) Interests in Underlying Shares of the Company

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2011	movement during the period	held as at 31/3/2011	
LAU Ting	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	600,000	0.008%
							2,400,000	0.032%
CHAN Shing	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	600,000	0.008%
							2,400,000	0.032%
WU Jingwei	11/01/2007	0.445	01/01/2008	31/12/2011	2,000,000	—	2,000,000	0.027%
	11/01/2007	0.445	01/01/2009	31/12/2011	2,000,000	—	2,000,000	0.027%
	11/01/2007	0.445	01/01/2010	31/12/2011	2,000,000	—	2,000,000	0.027%
	11/01/2007	0.445	01/01/2011	31/12/2011	2,000,000	—	2,000,000	0.027%
	04/07/2007	0.975	01/01/2008	31/12/2013	1,200,000	—	1,200,000	0.016%
	04/07/2007	0.975	01/01/2009	31/12/2013	1,200,000	—	1,200,000	0.016%
	04/07/2007	0.975	01/01/2010	31/12/2013	1,200,000	—	1,200,000	0.016%
	04/07/2007	0.975	01/01/2011	31/12/2013	1,200,000	—	1,200,000	0.016%
	04/07/2007	0.975	01/01/2012	31/12/2013	800,000	—	800,000	0.011%
	13/11/2007	0.960	01/01/2008	31/12/2011	8,000,000	—	8,000,000	0.108%
	13/11/2007	0.960	01/01/2009	31/12/2011	8,000,000	—	8,000,000	0.108%
	13/11/2007	0.960	01/01/2010	31/12/2011	8,000,000	—	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,000,000	—	2,000,000	0.027%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,400,000	—	3,400,000	0.046%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,400,000	—	3,400,000	0.046%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,400,000	—	3,400,000	0.046%
	02/10/2009	0.500	01/09/2013	31/08/2014	3,400,000	—	3,400,000	0.046%
							59,200,000	0.800%
LIAO Yuang-whang	18/09/2007	0.904	18/09/2008	17/09/2011	3,200,000	—	3,200,000	0.043%
	18/09/2007	0.904	18/09/2009	17/09/2011	2,800,000	—	2,800,000	0.038%
	13/11/2007	0.960	18/09/2008	17/09/2012	8,000,000	—	8,000,000	0.108%
	13/11/2007	0.960	18/09/2009	17/09/2012	8,000,000	—	8,000,000	0.108%
	13/11/2007	0.960	18/09/2010	17/09/2012	8,000,000	—	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,000,000	—	2,000,000	0.027%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,000,000	—	2,000,000	0.027%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,500,000	—	3,500,000	0.047%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,500,000	—	3,500,000	0.047%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,500,000	—	3,500,000	0.047%
	02/10/2009	0.500	01/09/2013	31/08/2014	3,500,000	—	3,500,000	0.047%
							52,000,000	0.702%

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2011	movement during the period	held as at 31/3/2011	
HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	—	17,600,000	0.238%
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	—	17,600,000	0.238%
	06/04/2009	0.500	12/09/2009	11/09/2012	6,000,000	—	6,000,000	0.081%
	06/04/2009	0.500	12/09/2010	11/09/2012	6,000,000	—	6,000,000	0.081%
	06/04/2009	0.500	12/09/2011	11/09/2012	6,000,000	—	6,000,000	0.081%
							53,200,000	0.719%
HUANG Shenglan	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	600,000	0.008%
							2,400,000	0.032%
CHAN Ming Fai	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	600,000	0.008%
							1,800,000	0.024%

Note:

All interests in underlying shares were in long positions.

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executives of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company:

(1) Interests in Shares

Name of Shareholder	Number of shares				Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests	Total	
JPMorgan Chase & Co.	—	767,644,652(L) 634,012,306(P)	—	767,644,652(L) 634,012,306(P) (note 1)	10.37%(L) 8.57%(P)
Atlantis Investment Management Limited	—	665,000,000(L)	—	665,000,000(L) (note 2)	8.98%(L)
Liu Yang	—	665,000,000(L)	—	665,000,000(L) (note 2)	8.98%(L)
Favor King Limited	—	—	582,864,906(L)	582,864,906(L) (note 3)	7.87%(L)
Ward Ferry Management (BVI) Limited	—	577,110,000(L)	—	577,110,000(L) (note 4)	7.80%(L)
Burbank John H.	—	—	513,071,200(L)	513,071,200(L) (note 5)	6.93%(L)
Passport Capital, LLC	—	513,071,200(L)	—	513,071,200(L) (note 5)	6.93%(L)
Passport Special Opportunities Master Fund, LP	448,910,000(L)	—	—	448,910,000(L) (note 5)	6.06%(L)

Notes:

- 634,012,306 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co.. 133,444,346 shares, represented the long position shares, were held by JPMorgan Asset Management (UK) Limited which in turn was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, a company which was wholly-owned by JPMorgan Asset Management International Limited. And JPMorgan Asset Management International Limited was wholly-owned by JPMorgan Asset Management Holdings Inc., which in turn was wholly-owned by JPMorgan Chase & Co.. 188,000 shares, represented the long position shares, were held by J.P. Morgan Whitefriars Inc. which in turn was owned by J.P. Morgan Overseas Capital Corporation, a company which was wholly-owned by J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was wholly-owned by J.P. Morgan International Inc.. And J.P. Morgan International Inc. was wholly-owned by JPMorgan Chase Bank, N.A., which in turn was wholly-owned by JPMorgan Chase & Co..

2. Ms. Liu Yang held the interest through Atlantis Investment Management Limited and Atlantis Investment Management (Hong Kong) Limited. These shares represent the same block of interest held by Atlantis Investment Management Limited and Ms. Liu Yang.
3. 1,932,312 shares were held by Burwill Holdings Limited and 580,932,594 shares were held by Glory Add. These shares formed part of the interests of Ms. LAU Ting and Mr. CHAN Shing.
4. 249,652,000 shares were held by WF Asia Fund Limited, 96,728,000 shares were held by WF Asian Reconnaissance Fund Limited and 230,730,000 shares were held by WF Asian Smaller Companies Fund Limited. Ward Ferry Management (BVI) Limited was the investment manager of these funds or companies.
5. Passport Capital, LLC was the investment manager of various funds. One of these funds was Passport Special Opportunities Master Fund, LP. Burbank John H. was the sole managing member to Passport Capital, LLC. The above information was notified by Passport Capital, LLC.
6. The letter “L” denotes long position(s) and the letter “P” denotes lending pool(s).

(2) Interests in Underlying Shares

As at 31 March 2011, International Game Technology had a derivative interest in 174,083,770 shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Save as disclosed above, as at 31 March 2011, there was no person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

DISCLOSEABLE TRANSACTION

On 14 February 2011, a subsidiary of the Company, as the purchaser, entered into an equity interests transfer agreement with the independent third parties, as the vendors, to acquire 70% of the equity interests in 重慶拓扣網絡科技有限公司 (“Chongqing Tuokou”), a lottery sales service provider engaged in the research and development and operation of a sales platform for high frequency lottery games in the PRC. The aggregate consideration of this acquisition is RMB21,000,000 (approximately HK\$24,851,400), which shall be satisfied by payment of cash and issue of consideration shares. The vendors have guaranteed that the profit after tax of Chongqing Tuokou for 2011 will reach RMB4,500,000. The completion of this acquisition took place on 13 April 2011.

PROPOSED SHARE PREMIUM REDUCTION

The Board announced on 18 March 2011 that it intended to make a proposal to the shareholders of the Company for a reduction of the share premium account of the Company (“Share Premium Reduction”). The sum of the reduction would be applied to eliminate the accumulated losses of the Company as at 31 December 2010. The Board considers that the elimination of the accumulated losses of the Company in full will afford the Company more flexibility to declare dividends to its shareholders at the earliest opportunity in the future as and when the Board considers appropriate. The Share Premium Reduction is conditional on the passing of a special resolution approving the Share Premium Reduction by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 26 May 2011 and the proper compliance with the relevant requirements under the Companies Act 1981 of Bermuda (as amended).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares during the three months ended 31 March 2011.

COMPETING INTERESTS

The Board believes that none of the Directors, the management shareholders of the Company (as defined in 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 Audit Committee of the Company currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The unaudited third quarterly results of the Group for the three months ended 31 March 2011 have been reviewed by the Audit Committee.

On behalf of the Board
LAU Ting
Chairperson

Hong Kong, 12 May 2011

This announcement will remain on the “Latest Company Announcements” page of the GEM’s website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.chinalotsynergy.com.

As at the date of this announcement, the Board comprises Ms. LAU Ting, Mr. CHAN Shing, Mr. WU Jingwei and Mr. LIAO Yuang-whang as Executive Directors; Mr. HOONG Cheong Thard as Non-executive Director; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-executive Directors.