



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 YEAR ENDED 31 DECEMBER 2008**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK
EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	3	117,377	310,267
Costs of sales and services		<u>(62,232)</u>	<u>(50,917)</u>
Gross profit		55,145	259,350
Other income and gains	4	46,532	116,770
General and administrative expenses		(118,476)	(72,744)
Other expenses		(2,007)	(8,536)
Impairment of goodwill		(854,725)	-
Finance costs	5	(25,238)	(14,329)
Share option expenses		<u>(12,940)</u>	<u>(20,327)</u>
Operating (loss)/profit	6	(911,709)	260,184
Share of losses of jointly-controlled entities		(15,323)	-
Share of loss of an associate		<u>-</u>	<u>(13,217)</u>
(Loss)/Profit before income tax		(927,032)	246,967
Income tax	7	<u>580</u>	<u>(1,034)</u>
(Loss)/Profit for the year		<u>(926,452)</u>	<u>245,933</u>
Attributable to:			
Equity holders of the Company		(930,729)	132,094
Minority interests		<u>4,277</u>	<u>113,839</u>
		<u>(926,452)</u>	<u>245,933</u>
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
- basic	8	<u>(12.50) HK cents</u>	<u>1.79 HK cents</u>
- diluted	8	<u>(12.47) HK cents</u>	<u>1.76 HK cents</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment		114,263	141,974
Leasehold land		-	97,548
Investment property		127,000	-
Intangible assets		337,153	1,183,681
Investments in jointly-controlled entities		80,184	90,954
Available-for-sale financial assets		33,940	-
Deferred income tax assets		1,660	1,030
Prepaid rentals		5,771	6,334
Total non-current assets		<u>699,971</u>	<u>1,521,521</u>
Current assets			
Inventories		13,625	12,159
Accounts receivable	9	14,060	74,740
Prepayments, deposits and other receivables		12,699	16,203
Amount due from a jointly-controlled entity		7,857	7,877
Amounts due from related companies		21,854	24,289
Financial assets at fair value through profit or loss	10	292,185	192,294
Income tax refundable		603	-
Deposit with a financial institution		-	17,287
Cash and bank balances		747,681	993,269
Total current assets		<u>1,110,564</u>	<u>1,338,118</u>
Total assets		<u>1,810,535</u>	<u>2,859,639</u>
Current liabilities			
Accounts payable	11	4,647	11,986
Accruals and other payables		12,722	26,009
Amount due to a jointly-controlled entity		34,033	44,345
Amounts due to related companies		-	133
Income tax payable		1,998	2,306
Financial liabilities at fair value through profit or loss		191,632	123,230
Total current liabilities		<u>245,032</u>	<u>208,009</u>
Net current assets		<u>865,532</u>	<u>1,130,109</u>
Total assets less current liabilities		<u>1,565,503</u>	<u>2,651,630</u>
Non-current liabilities			
Convertible note		562,357	537,119
Deferred income tax liabilities		16,334	13,907
Total non-current liabilities		<u>578,691</u>	<u>551,026</u>
Net assets		<u>986,812</u>	<u>2,100,604</u>

CONSOLIDATED BALANCE SHEET (Cont'd)*At 31 December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>12</i>	18,505	19,142
Reserves	<i>13</i>	1,647,920	1,753,095
(Accumulated losses) / Retained profit		(795,177)	132,823
		<hr/>	<hr/>
Capital and reserves attributable to equity holders of the Company		871,248	1,905,060
Minority interests		115,564	195,544
		<hr/>	<hr/>
Total equity		986,812	2,100,604
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital <i>HK\$ '000</i> <i>(Note 12)</i>	Reserves <i>HK\$ '000</i> <i>(Note 13)</i>	Retained profit / (Accumulated losses) <i>HK\$ '000</i>	Minority interests <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Balance at 1 January 2007	17,726	1,414,346	(87,346)	91,010	1,435,736
Currency translation differences	-	14,770	-	8,848	23,618
Net income recognised directly in equity	-	14,770	-	8,848	23,618
Profit for the year	-	-	132,094	113,839	245,933
Total recognised income for the year	-	14,770	132,094	122,687	269,551
Reduction of share premium	-	(87,346)	87,346	-	-
Repurchase of shares	(24)	(8,486)	-	-	(8,510)
Share option scheme:					
- value of employee services	-	17,699	-	-	17,699
- value of other participants' services	-	2,628	-	-	2,628
- issue of shares under share option scheme	338	63,786	-	-	64,124
- vested share options cancelled and lapsed	-	(729)	729	-	-
Issue of shares under subscription agreement	934	251,246	-	-	252,180
Issue of shares arising on business combination	168	71,736	-	-	71,904
Share issue expenses	-	(6,635)	-	-	(6,635)
Convertible note – equity component	-	24,842	-	-	24,842
Deferred tax on convertible note	-	(4,762)	-	-	(4,762)
Dividends paid to minority shareholders	-	-	-	(24,860)	(24,860)
Minority interests arising on business combination	-	-	-	15,554	15,554
Acquisition of additional interests in subsidiaries	-	-	-	(8,847)	(8,847)
	1,416	323,979	88,075	(18,153)	395,317
Balance at 31 December 2007	19,142	1,753,095	132,823	195,544	2,100,604

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital	Reserves	Retained profit / (Accumulated losses)	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 12)	(Note 13)			
Balance at 1 January 2008	19,142	1,753,095	132,823	195,544	2,100,604
Currency translation differences	-	13,449	-	5,364	18,813
Net income recognised directly in equity	-	13,449	-	5,364	18,813
(Loss) / Profit for the year	-	-	(930,729)	4,277	(926,452)
Total recognised income/(expense) for the year	-	13,449	(930,729)	9,641	(907,639)
Repurchase of shares	(637)	(127,949)	-	-	(128,586)
Share option scheme:					
- value of employee services	-	13,332	-	-	13,332
- value of other participants' services	-	(392)	-	-	(392)
- vested share options cancelled	-	(2,729)	2,729	-	-
Surplus on revaluation of property	-	14,340	-	-	14,340
Deferred tax arising from revaluation of property	-	(2,366)	-	-	(2,366)
Fair value loss on available-for-sale financial assets	-	(12,860)	-	-	(12,860)
Deregistration of a subsidiary	-	-	-	(15,764)	(15,764)
Dividends paid to minority shareholders	-	-	-	(73,857)	(73,857)
	(637)	(118,624)	2,729	(89,621)	(206,153)
Balance at 31 December 2008	18,505	1,647,920	(795,177)	115,564	986,812

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act of Bermuda.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (together the "Group") are principally engaged in investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting periods beginning on or after 1 January 2008.

HKAS 39 & HKFRS 7	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. BASIS OF PREPARATION (Cont'd)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁶

Notes:

- 1. Effective for accounting periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for accounting periods beginning on or after 1 July 2009.*
- 2. Effective for accounting periods beginning on or after 1 January 2009.*
- 3. Effective for accounting periods beginning on or after 1 July 2009.*
- 4. Effective for accounting periods beginning on or after 1 July 2008.*
- 5. Effective for accounting periods beginning on or after 1 October 2008.*
- 6. Effective for transfers of assets from customers received on or after 1 July 2009.*

2. BASIS OF PREPARATION (Cont'd)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. An analysis of the Group's turnover for the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Turnover		
Income from provision of lottery terminals	99,162	284,162
Income from sales of equipment	17,711	26,038
Income from provision of consultancy services	504	67
	<u>117,377</u>	<u>310,267</u>

Segment information

Segment information is presented by way of the Group's primary segment reporting, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Primary reporting format – business segments

For the years ended 31 December 2008 and 2007, over 90% of the Group's revenues were derived from the Group's operations representing investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. Accordingly, no further business segment information is presented.

3. TURNOVER AND SEGMENT INFORMATION (*Cont'd*)

Segment information (*Cont'd*)

(b) Secondary reporting format – geographical segments

For the years ended 31 December 2008 and 2007, over 90% of the Group's revenues were derived from customers based in the People's Republic of China ("PRC"). An analysis of the Group's assets and capital expenditure by geographical segments is as follows:

Carrying amounts of segment assets	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
PRC	634,171	1,578,896
Hong Kong	1,096,180	1,184,550
Other	-	5,239
	<hr/>	<hr/>
	1,730,351	2,768,685
Investments in jointly-controlled entities	80,184	90,954
	<hr/>	<hr/>
	1,810,535	2,859,639
	<hr/>	<hr/>
Capital expenditure	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
PRC	10,888	280,653
Hong Kong	508	111,185
	<hr/>	<hr/>
	11,396	391,838
	<hr/>	<hr/>

4. OTHER INCOME AND GAINS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Fair value gains / (losses), net:		
- Financial assets at fair value through profit or loss (held for trading)	(17,772)	2,884
- Early redemption option embedded in convertible note at fair value	102,977	61,528
- Redemption option held by a noteholder embedded in convertible note at fair value	(68,402)	(47,300)
	16,803	17,112
Interest income from bank deposits	16,616	29,758
Dividend income on financial assets at fair value through profit and loss	1,011	-
Fair value gain on investment property	7,000	-
Net gain on disposal of interest in Tabcorp International Hong Kong Limited	-	69,740
Rental income	960	160
Reversal of impairment on other receivables	4,142	-
	46,532	116,770

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Accrued interest expense on convertible note	25,238	14,329

6. OPERATING (LOSS) / PROFIT

The Group's operating (loss) / profit is arrived at after charging / (crediting):

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Costs of sales and services		
- Depreciation of lottery terminals	32,882	17,383
- Business tax	3,942	14,836
- Cost of inventories recognised as expense	6,945	13,372
- Repairs and maintenance	11,084	2,522
- Other costs of sales and services	7,379	2,804
	<u>62,232</u>	<u>50,917</u>
Loss on disposal of property, plant and equipment	638	1,198
Operating lease rentals in respect of land and buildings	3,386	3,815
Auditors' remuneration	600	590
Amortisation of intangible assets		
- CLO Contract (included in general and administrative expenses)	6,528	6,527
Depreciation of other items of property, plant and equipment	2,809	1,203
Write-down of inventories to net realisable value	-	658
Impairment of other receivables (included in other expenses)	2,007	8,536
Foreign exchange differences, net	<u>(1,228)</u>	<u>(1,170)</u>

7. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2007 and 2008 as the Group had no assessable profits arising in or derived from Hong Kong for both years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current income tax		
- PRC Enterprise Income Tax	2,228	1,262
- Adjustments in respect of prior years	<u>(2,314)</u>	<u>-</u>
Total current tax	(86)	1,262
Deferred income tax	<u>(494)</u>	<u>(228)</u>
	<u>(580)</u>	<u>1,034</u>

8. (LOSS) / EARNINGS PER SHARE

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

	2008	2007
(Loss) / Profit attributable to equity holders of the Company (<i>HK\$ '000</i>)	<u>(930,729)</u>	<u>132,094</u>
Weighted average number of ordinary shares in issue for the purpose of calculating basic (loss) / earnings per share	7,445,419,421	7,360,681,227
Effect of dilutive potential ordinary shares: - Share options	<u>19,467,783</u>	<u>141,435,395</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) / earnings per share	<u>7,464,887,204</u>	<u>7,502,116,622</u>
Basic (loss) / earnings per share	<u>(12.50) HK cents</u>	<u>1.79 HK cents</u>
Diluted (loss) / earnings per share	<u>(12.47) HK cents</u>	<u>1.76 HK cents</u>

The computation of diluted (loss)/earnings per share for the years ended 31 December 2008 and 2007 has not assumed the conversion of convertible note because its conversion would reduce/increase the (loss)/earnings per share.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share subdivision on 7 August 2007.

9. ACCOUNTS RECEIVABLE

Income from provision of lottery terminals is billed on a monthly basis and is due 15 to 30 days after month-end. Income from sales of lottery equipment is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Income from provision of maintenance services is billed on a monthly or yearly basis and is due 30 days after the invoice date. At 31 December 2008, the ageing analysis of the accounts receivable is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	9,020	38,842
31 – 60 days	2,330	35,898
61 – 90 days	1,284	-
Over 90 days	1,426	-
	<u>14,060</u>	<u>74,740</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Listed securities		
- Equity securities – Hong Kong	37,975	48,480
- Equity securities – Elsewhere	7,419	-
	<u>45,394</u>	<u>48,480</u>
Early redemption option embedded in convertible note at fair value	<u>246,791</u>	<u>143,814</u>
	<u>292,185</u>	<u>192,294</u>
Market value of listed securities	<u>45,394</u>	<u>48,480</u>

11. ACCOUNTS PAYABLE

At 31 December 2008, the ageing analysis of the accounts payable is as follows:

	2008 HK\$'000	2007 HK\$'000
0 – 30 days	681	2,842
31 – 60 days	758	3,401
61 – 90 days	869	2,246
Over 90 days	2,339	3,497
	<u>4,647</u>	<u>11,986</u>

12. SHARE CAPITAL

	Authorised ordinary shares	
	Number of shares	HK\$'000
At 1 January 2007	4,000,000,000	40,000
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each (<i>Note (i)</i>)	12,000,000,000	-
At 31 December 2007 and 2008	16,000,000,000	40,000
	Issued and fully paid ordinary shares	
	Number of shares	HK\$'000
At 1 January 2007	1,772,582,000	17,726
New issue of shares (<i>Note (ii)</i>)	93,400,000	934
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each (<i>Note (i)</i>)	5,597,946,000	-
New issue of shares (<i>Note (iii)</i>)	67,200,000	168
Share options exercised (<i>Note (iv)</i>)	135,320,000	338
Repurchase of shares (<i>Note (v)</i>)	(9,688,000)	(24)
At 31 December 2007	7,656,760,000	19,142
Repurchase of shares (<i>Note (vi)</i>)	(254,596,000)	(637)
At 31 December 2008	7,402,164,000	18,505

12. SHARE CAPITAL (*Cont'd*)

Notes:

- (i) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 6 August 2007, every share of HK\$0.01 each in the issued and unissued share capital of the Company was subdivided into 4 shares of HK\$0.0025 each (the "Share Subdivision"). The Share Subdivision became effective on 7 August 2007.
- (ii) Pursuant to the subscription agreement dated 1 May 2007, the Company issued and allotted a total of 93,400,000 new shares of HK\$0.01 each at a subscription price of HK\$2.70 per share to International Game Technology on 31 May 2007. The net proceeds of the subscription shares and the convertible note would be used for financing business expansion, potential investment opportunities and general working capital.
- (iii) Pursuant to the two conditional sale and purchase agreements dated 10 September 2007, the Company allotted and issued a total of 50,400,000 new consideration shares of HK\$0.0025 each at HK\$1.13 to Citibest Investments Limited on 30 October 2007 and 16,800,000 new consideration shares of HK\$0.0025 each at closing market price of HK\$0.89 to certain vendors on 27 December 2007 as payment of part of the consideration for the subscription of interests in Champ Mark Investments Limited and Lottnal Holdings Limited respectively.
- (iv) Share options were exercised by optionholders during the year ended 31 December 2007 to subscribe for a total of 135,320,000 shares of HK\$0.0025 each by payment of subscription monies of approximately HK\$64,124,000, of which approximately HK\$338,000 was credited to share capital and the balance of approximately HK\$63,786,000 was credited to the share premium account.
- (v) The Company repurchased 9,688,000 of its own shares of HK\$0.0025 each on the Stock Exchange in December 2007. The highest and lowest price paid per share were HK\$0.90 and HK\$0.85 respectively. The total amount paid for the repurchase of shares was approximately HK\$8,510,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.
- (vi) The Company repurchased 254,596,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the year ended 31 December 2008. The highest and lowest price paid per share were HK\$0.96 and HK\$0.35 respectively. The total amount paid for the repurchase of shares was approximately HK\$128,586,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.

13. RESERVES

	Share premium <i>HK\$ '000</i>	Convertible note <i>HK\$ '000</i>	Capital reserve <i>HK\$ '000</i>	Currency translation reserve <i>HK\$ '000</i>	Share-based compensation reserve <i>HK\$ '000</i>	Revaluation reserve <i>HK\$ '000</i>	Available- for-sale investments <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Balance at 1 January 2007	1,346,562	-	15,158	3,038	49,588	-	-	1,414,346
Reduction of share premium	(87,346)	-	-	-	-	-	-	(87,346)
Repurchase of shares	(8,486)	-	-	-	-	-	-	(8,486)
Share option scheme:								
- value of employee services	-	-	-	-	17,699	-	-	17,699
- value of other participants' services	-	-	-	-	2,628	-	-	2,628
- issue of shares under share option scheme	107,038	-	-	-	(43,252)	-	-	63,786
- vested share options cancelled and lapsed	-	-	-	-	(729)	-	-	(729)
Issue of shares	322,982	-	-	-	-	-	-	322,982
Share issue expenses	(6,635)	-	-	-	-	-	-	(6,635)
Currency translation differences								
- overseas subsidiaries	-	-	-	8,409	-	-	-	8,409
- overseas associate and jointly-controlled entities	-	-	-	6,361	-	-	-	6,361
Convertible note – equity component	-	24,842	-	-	-	-	-	24,842
Deferred tax on convertible note	-	(4,762)	-	-	-	-	-	(4,762)
Balance at 31 December 2007	1,674,115	20,080	15,158	17,808	25,934	-	-	1,753,095

13. RESERVES (Cont'd)

	Share premium <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Available- for-sale investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2008	1,674,115	20,080	15,158	17,808	25,934	-	-	1,753,095
Repurchase of shares	(127,949)	-	-	-	-	-	-	(127,949)
Share option scheme:								
- value of employee services	-	-	-	-	13,332	-	-	13,332
- value of other participants' services	-	-	-	-	(392)	-	-	(392)
- vested share options cancelled	-	-	-	-	(2,729)	-	-	(2,729)
Surplus on revaluation of property	-	-	-	-	-	14,340	-	14,340
Deferred tax arising from revaluation of property	-	-	-	-	-	(2,366)	-	(2,366)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(12,860)	(12,860)
Currency translation differences								
- overseas subsidiaries	-	-	-	8,896	-	-	-	8,896
- overseas jointly-controlled entities	-	-	-	4,553	-	-	-	4,553
Balance at 31 December 2008	1,546,166	20,080	15,158	31,257	36,145	11,974	(12,860)	1,647,920

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the business of provision of lottery gaming systems, terminal equipment and related technologies and consultancy services to the welfare lottery market in China.

Business Review

Since February 2008, the China Lottery Online (中福在線) (“CLO”) video lottery, which is distributed nationally, has undergone major adjustments in its game offerings, operating hours, payout ratio, etc. Following the implementation of these measures, sales of video lottery shrunk significantly compared to the same period of 2007. However, the Group remains optimistic about the prospects of the China welfare lottery, and continues to adhere to the Group’s development strategy and to strengthen the operation and management of relevant businesses. During the Year, state approval was obtained to implement the terminal equipment rollout of the high-frequency lottery KENO in public venues throughout eight provinces including Hunan, Shandong and Liaoning, etc. The Group has received orders for terminals from the provinces; and arranged shipment and gradually connected the terminals for sales. The Guangdong provincial welfare lottery issuance authority, a key client of our traditional computer lottery ticket equipment business, achieved a new welfare lottery sales (including computer lottery tickets and other products) record of over RMB 6 billion in 2008. Guangdong province has been ranking number one consecutively in terms of welfare lottery sales in China. In the meantime, the Group and its strategic partner, International Game Technology, a global leader in the lottery industry, are proactively exploring new lottery related businesses.

VLT (Video Lottery Terminals) Supply

Since February 2008, CLO video lottery, which is distributed nationally, has undergone major adjustments in its game offerings, operating hours, payout ratio, etc. Following the implementation of these measures, sales of video lottery shrunk significantly compared to the same period of 2007. As the exclusive provider of terminal equipment for CLO, the Group’s business performance has been inevitably adversely affected. The management believes that its negative effects will continue for some time before the introduction of new games. Therefore, the management considered that it is necessary to conservatively revalue its intangible assets relating to CLO video lottery business in the financial statements of the Group for the year ending 31 December 2008 (the “2008 Annual Results”). Having confirmed with the auditors of the Company, the Group decided to make a non-cash write-down of HK\$840 million on the value of intangible assets relating to CLO video lottery business, which will be reflected in the 2008 Annual Results; and because of such substantial non-cash write-down amount, the Group experienced a significant loss in its 2008 Annual Results.

Nevertheless, the management believes that VLT, being the new trend in lottery business, still enjoys a bright prospect in China compared with other lottery products. The State Council has approved to issue CLO video lottery as a disaster relief lottery. The Group remains positive and optimistic towards the long-term development of its VLT equipment supply business in China.

KENO High Frequency Lottery Business

In 2008, state approval was obtained to implement the terminal equipment rollout of KENO in public venues throughout eight provinces including Hunan, Shandong and Liaoning, etc. in China. This is a significant progress and breakthrough for the project. CLS-GTECH Company Limited, a joint venture company of the Group and GTECH Corporation (“GTECH”), possesses an exclusive contract for the system and terminal provision for KENO. The Group has received orders for terminals from the provinces and arranged shipment and installation to connect the terminals for sales.

With the rollout and commencement of sales, KENO will bring opportunities as well as challenges to the Group, generating steady revenue for the Group. The Group and GTECH will work with the lottery issuance authorities and will build up the KENO project as a large-scale high-frequency lottery product in China.

Computer Lottery Tickets Business

The Group provides traditional computer lottery terminal equipment to provincial welfare lottery issuance authorities in China and achieves revenue from sharing the sales of the lottery. In addition, the Group also provides lottery scanners and readers for corporate clients. The Guangdong provincial welfare lottery issuance authority is a key client of our traditional computer lottery ticket equipment. Sales revenue exceeding RMB six billion was achieved by Guangdong province in 2008, which was a new record high on welfare lottery sales (including computer lottery tickets and other products) and made Guangdong the first province with sales exceeding RMB six billion since the issuance of the China welfare lottery tickets over twenty years ago. Revenue from this business recorded a continued growth compared to the same period in 2007, which brought in a stable cash flow for the Group.

In addition, the Group is now leveraging on this business opportunity to develop multi-functional lottery terminals. It is also actively exploring overseas markets, with the aim of obtaining orders from Europe.

Outlook

At present, many countries are in serious turmoil caused by the financial tsunami and credit crunch; global economic growth has slowed down significantly. Corporations are closing down and unemployment has begun to influence social stability in various countries, including China. Therefore, social aid is playing an important role in such severe environments. During the year of 2008, the China welfare lottery raised funds of nearly RMB 20 billion, which provided major financial support to social aid initiatives such as helping the elderly, the handicapped, the orphans and those in poverty etc. The Group remains optimistic about prospects of the welfare lottery market in China and is convinced that China will become one of the leading lottery markets in the world.

The Group is proud to participate in the China welfare lottery business, and will strive to seize significant opportunities ahead. The Group believes that lottery legislation will be passed in China, which means the China lottery market will be better regulated, and China will also open up the lottery market gradually. This will provide business opportunities for the Group to expand into various parts of the lottery value chain.

In respect of its existing businesses, the Group is proactively working with the government to issue CLO video lottery as a disaster relief lottery product, and is striving to achieve better performance in the supply of video lottery terminals. For the massive roll out and sales of the high-frequency lottery product KENO in public venues in the eight provinces including Hunan, Shandong and Liaoning, the Group is proactively working on the system and terminal supply and service. In the meantime, the Group is working hard to explore other lottery-related businesses.

The Group believes that the cooperation with our partners International Game Technology and GTECH, global leaders in the industry, will benefit the China lottery industry in terms of improving the standards of research and development of lottery systems, manufacture of terminals, as well as operation and maintenance, while also improving and enriching the variety and content of games, thereby contributing to the safe operation and healthy development of the China lottery market.

The Group will continue to actively explore new lottery-related business opportunities in China and seek to create new revenue streams by extending to and participating in various parts of the lottery value chain. The Group will endeavour to enhance its business portfolio and strengthen its revenue base and profitability by establishing research and development and business development teams and identifying and acquiring businesses that are in shareholders' interests and with strategic values, in order to provide long-term and stable returns to its shareholders.

Financial Review

The Group recorded a turnover of approximately HK\$117.4 million for the year ended 31 December 2008, representing a decrease of 62% over 2007. Loss attributable to equity holders for the year amounted to approximately HK\$930.7 million, as compared with the profit of HK\$132.1 million for 2007.

In February 2008, CLO video lottery, which is distributed nationally in China, made major adjustments to its game offerings, operating hours, payout ratio, etc. Being the exclusive provider of terminal equipment for CLO video lottery, the Group's business performance has been adversely affected during the year. Therefore, at 31 December 2008, the recoverable amount of goodwill allocated to the cash-generating unit of video lottery terminals provision has been reassessed and was impaired by HK\$840 million.

At 31 December 2008, the Directors of the Company have reassessed the recoverable amount of goodwill associated with the acquisition of 北京網人互聯科技有限公司 during the year and determined the entire goodwill was impaired by HK\$14.7 million.

The Group's loss attributable to equity holders for the year was weighted down by some non-cash items as follows:

	Year ended 31 December 2008 <i>HK\$'000</i>
Loss attributable to equity holders for the year	(930,729)
Add : Non-cash items	
Impairment loss of goodwill	854,725
Share option expenses	12,940
Accrued interest expense on convertible note	25,238
CLO contract value amortised	3,264
Fair value change on redemption option embedded in convertible note	(34,575)
Fair value change on investment property	(7,000)
Fair value change on listed securities	27,480
	<hr/>
Loss after stripping out non-cash items	<u>(48,657)</u>

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

At 31 December 2008, the Group had an outstanding guarantee and indemnity for HK\$30 million (at 31 December 2007: HK\$20 million) plus interest and other charges for treasury facilities provided by a bank. Such treasury facilities were for a maximum tenor of 18 months, with facility limits to be determined by the bank at its sole discretion and may vary from time to time by the bank.

The Group believes that the available financial resources will sufficiently fund our capital and operating requirements. The Group did not have any bank borrowings at 31 December 2008 (at 31 December 2007: Nil).

The Group's total equity amounted to approximately HK\$986.8 million at 31 December 2008 (at 31 December 2007: HK\$2,100.6 million). At 31 December 2008, net current assets of the Group amounted to approximately HK\$865.5 million (at 31 December 2007: HK\$1,130.1 million), including approximately HK\$747.7 million in cash and deposits with banks and financial institution (at 31 December 2007: HK\$1,010.6 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2008 was approximately 45.5% (at 31 December 2007: 26.5%).

Exposure to Exchange Rates Fluctuation

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, United States dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

Pledge of Asset

At 31 December 2008, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (at 31 December 2007: Nil).

Contingent Liabilities

At 31 December 2008, the Group did not have any material contingent liabilities (at 31 December 2007: Nil).

Staff

At 31 December 2008, the Group had 205 (2007: 214) full time employees. 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. The Group will further strengthen its team, and in particular on the build up of its technical team, in order to offer enhanced services for China's welfare lottery market.

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

During the year ended 31 December 2008, the Company repurchased a total of 254,596,000 shares of HK\$0.0025 each in the share capital of the Company (the "Shares") on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meeting held on 24 April 2007, details of which were as follows:-

Month/Year	Number of Shares repurchased	Price per Share		Total consideration (before expense)
		Lowest	Highest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
1/2008	53,040,000	0.495	0.960	39,466,200
3/2008	191,544,000	0.350	0.500	84,204,620
4/2008	10,012,000	0.380	0.425	4,024,760

All Shares repurchased were cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

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 Growth Enterprise Market 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 Audit Committee of the Company currently comprises three Independent Non-Executive Directors, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The audited financial statements of the Group for the year ended 31 December 2008 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company had 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 year ended 31 December 2008, except for the deviations from Code provisions A.2.1, A.4.1 and A.4.2.

The roles of the chairman and chief executive officer are not performed by separate individuals as is stipulated in Code provision A.2.1 since 18 June 2008. The Chairman and Chief Executive Officer of the Company, Ms. LAU Ting, currently assumes the roles of the chairman and the chief executive officer responsible for overseeing the function of the Board and formulating overall strategies of and organizing the implementation structure for the Company and also managing the Group's overall business operations. Given the nature of the Group's businesses which require considerable market expertise, the Board believes that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

The Non-Executive Directors of the Company, except one of the Non-Executive Director, are not appointed for a specific term as is stipulated in Code provision A.4.1, but all 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, the number nearest to 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 is stipulated in Code provision A.4.2, 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.

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

On behalf of the Board
LAU Ting
Chairman

Hong Kong, 9 March 2009

As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Chan Shing, Mr. Wu Jingwei and Mr. Liao Yuang-whang as Executive Directors, Mr. Hoong Cheong Thard and Mr. Paulus Johannes Cornelis Aloysius Karskens as Non-Executive Directors, and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming as Independent Non-Executive Directors.

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