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China LotSynergy Holdings Limited

華彩控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8161)**

## **HEADS OF AGREEMENT FOR THE PROPOSED ACQUISITION OF 90% INTEREST IN OCTAVIAN**

On 10 January 2006, the Purchaser and the Vendor entered into the Heads of Agreement whereby, subject to contract, the Purchaser wishes to acquire and the Vendor wishes to sell 90% interest in Octavian for an aggregate consideration comprising (1) the allotment and issue of 60,000,000 Consideration Shares at HK\$3.15 each; and (2) the payment of US\$2 million in cash upon completion. The Acquisition is subject to the entering into by the parties of the Formal Agreement on or before 31 March 2006.

Octavian is an international provider of networked gaming systems and software solutions. Headquartered in the UK, Octavian operates offices and technical centres in Argentina, Colombia, India, Italy, Russia and Spain and provides products and a range of professional services. Octavian develops, supplies and supports gaming systems and games that help gaming companies and lottery operators to reduce costs, increase revenue and profits, enhance security and attract and retain customers.

The Acquisition, if materialised, will constitute a notifiable transaction for the Company which will be subject to the disclosure and/or shareholders' approval requirements as stipulated in the GEM Listing Rules. Further announcement will be made upon the signing of the Formal Agreement.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 January 2006 pending release of this announcement and another announcement of a notifiable transaction which is of a price sensitive nature. Trading in the Shares on the Stock Exchange will remain suspended pending release of such another announcement.

The Purchaser reached a non-binding understanding on 16 December 2005 with the Vendor whereby the Purchaser wishes to acquire and the Vendor wishes to sell a controlling interest in Octavian. Upon further discussions, on 10 January 2006, the same parties entered into the Heads of Agreement which, subject to contract, lays down the preliminary principal terms for the Acquisition upon which the parties will prepare for and negotiate the Formal Agreement. The Heads of Agreement contemplates the entering into by the parties of the Formal Agreement on or before 31 March 2006 and completion of the Acquisition on or before 30 June 2006.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner is independent of the Company and its connected persons.

### **THE HEADS OF AGREEMENT DATED 10 JANUARY 2006**

Pursuant to the Heads of Agreement, the Purchaser wishes to acquire and the Vendor wishes to sell 900 ordinary shares of GBP1 each in the issued capital of Octavian. Such shares represent 90% of the existing issued ordinary shares of Octavian. The Consideration comprises (1) the allotment and issue of 60,000,000 Consideration Shares at HK\$3.15 each; and (2) the payment of US\$2 million in cash upon completion. The Consideration Shares represent approximately 4.2% of the existing issued share capital of the Company and approximately 4.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Upon completion of the Acquisition, the Purchaser shall have control of the board of directors and a majority in number of directors of Octavian. The Vendor shall be responsible for the management of the daily operations of Octavian.

Other than the confidentiality, exclusivity and governing law provisions set out therein, the Heads of Agreement is not legally binding.

### **INFORMATION ON OCTAVIAN**

Octavian is an international provider of networked gaming systems and software solutions. Headquartered in the UK, Octavian operates offices and technical centres in Argentina, Colombia, India, Italy, Russia and Spain and provides products and ranges of professional services. Octavian develops, supplies and supports gaming systems and games that help gaming companies and lottery operators to reduce costs, increase revenue and profits, enhance security and attract and retain customers. Octavian's innovative product portfolio includes highly creative casino, arcade and AWP (Amusements With Prizes) games, server-based downloadable games systems, lottery systems and advanced ACP (Accounting, Control, Progressives) slot machine management systems that are an essential backbone of modern, networked gaming organisations.

### **INFORMATION ON THE GROUP**

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

In June 2005, the Group entered into a joint venture agreement with a subsidiary of Tabcorp Holdings Limited in Australia with a view to bringing certain internationally advanced and developed lottery business to the China market. Pursuant to the above-mentioned joint venture 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. (a licensed operator in China running instant lottery systems) entered into a technical cooperation agreement where TIHK would assist Beijing Lottery Online Technology Co., Ltd. to build and develop a nationwide unified platform for lottery operations and introduce new lottery products to China's lottery market. On 8 January 2006, the Group announced that trial run of KENO game on China's nationwide high frequency lottery system has been successful.

## **REASONS FOR THE ACQUISITION**

The Directors consider that the development plans of the Group's operations in China have been progressing satisfactorily. In the meantime, the Group continues to explore opportunities in countries where there is potential in launching the Group's technology in lottery games. The Acquisition represents an opportunity for the Group to expand the Group's operations to the lottery markets of Argentina, Colombia, India, Italy, Russia and Spain, to complement the current operations which have been focused in China. The Directors are confident that Octavian's experience in lottery operations and their technical expertise in lottery technologies will create synergy with the Group's lottery business. The Directors believe that such expansion will contribute to the revenue and future profitability of the Group.

## **CAUTION**

**Shareholders and investors should be aware that the Formal Agreement may or may not be reached and as a result, the Acquisition may or may not proceed. Shareholders and investors should therefore exercise caution when dealing in the Shares.**

## **GENERAL**

Other than the confidentiality, exclusivity and governing law provisions set out therein, the Heads of Agreement is not legally binding. The parties shall enter into negotiations with a view to reaching the Formal Agreement before 31 March 2006. The Acquisition, if materialised, will constitute a notifiable transaction for the Company which will be subject to the disclosure and/or shareholders' approval requirements as stipulated in the GEM Listing Rules. Further details of the Acquisition will be announced once the Formal Agreement has been reached.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 January 2006 pending release of this announcement and another announcement of a notifiable transaction which is of a price sensitive nature. Trading in the Shares on the Stock Exchange will remain suspended pending release of such another announcement.

As at the date of this announcement, the Board 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.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition by the Group of 90% interest in Octavian pursuant to the Heads of Agreement
“Board”	the board of Directors
“Company”	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the GEM Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition pursuant to the Heads of Agreement to be satisfied by the allotment and issue of the Consideration Shares and payment of US\$2 million in cash
“Consideration Shares”	60,000,000 Shares to be issued at a price of HK\$3.15 each as part of the Consideration
“Director(s)”	the director(s) of the Company
“Formal Agreement”	a legally binding sale and purchase agreement to be entered into between the Purchaser (or another wholly-owned subsidiary of the Company) and the Vendor by 31 March 2006 in relation to the Acquisition
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Heads of Agreement”	the heads of agreement dated 10 January 2006 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Octavian”	Octavian International Limited, a privately owned company incorporated in England and Wales
“Purchaser”	China LotSynergy Group Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tabcorp Group”	Tabcorp Holdings Limited and its subsidiaries, where Tabcorp Holdings Limited is a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange
“UK”	United Kingdom
“Vendor”	the existing shareholder of Octavian
“GBP”	British pound(s), the lawful currency of Great Britain
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**China LotSynergy Holdings Limited**  
**Lau Ting**  
*Chairman*

Hong Kong, 11 January 2006

*This announcement, for which the Directors 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*