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 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 2006, together with the comparative figures for the period ended 31 December 2005, as follows:–

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2006** *HK$'000*	Period ended 31 December 2005 *HK$'000* As restated
Continuing operations:			
Turnover	*3*	**71,345**	–
Cost of services		**(11,026)**	–
Gross profit		**60,319**	–
General and administrative expenses		**(63,493)**	(46,676)
Other income and gains		**20,152**	4,274
Operating profit/(loss) from continuing operations		**16,978**	(42,402)
Share of profit less loss of associates		**(4,943)**	–
Profit/(Loss) before income tax		**12,035**	(42,402)
Income tax	*4*	**(186)**	179
Profit/(Loss) for the year/period from continuing operations		**11,849**	(42,223)
Discontinued operations:			
Loss for the year/period from discontinued operations		**(14,748)**	(36)
Loss for the year/period		**(2,899)**	(42,259)
Attributable to:			
Equity holders of the Company		**(29,188)**	(42,146)
Minority interests		**26,289**	(113)
		(2,899)	(42,259)
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the year/period			
– basic and diluted	*5*	**0.84 HK cent**	3.22 HK cent
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the year/period			
– basic and diluted	*5*	**0.86 HK cent**	Negligible

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2006 HK$'000	As at 31 December 2005 HK$'000
Non-current assets			
Intangible assets		**990,805**	1,754
Property, plant and equipment		**63,491**	2,480
Investment in an associate		**54,016**	2
Available-for-sale financial asset		**–**	390
Total non-current assets		**1,108,312**	4,626
Current assets			
Accounts receivable	*6*	**24,138**	–
Prepayments, deposits and other receivables	*7*	**16,109**	34,253
Amount due from an associate		**–**	10
Amounts due from related companies		**21,250**	16,111
Deposit with a financial institution		**16,175**	15,385
Cash and bank balances		**310,620**	242,657
Total current assets		**388,292**	308,416
Total assets		**1,496,604**	313,042
Current liabilities			
Accounts payable	*8*	**2,680**	–
Accruals and other payables	*9*	**9,042**	7,235
Amount due to an associate		**29,637**	–
Amounts due to related companies		**9,080**	197
Amount due to a director		**347**	–
Income tax payable		**682**	496
Total current liabilities		**51,468**	7,928
Net current assets		**336,824**	300,488
Total assets less current liabilities		**1,445,136**	305,114
Non-current liabilities			
Deferred income tax liabilities		**9,400**	–
Net assets		**1,435,736**	305,114

	Notes	As at 31 December 2006 HK$'000	As at 31 December 2005 HK$'000
Capital and reserves			
Share capital	*10*	**17,726**	14,300
Reserves	*11*	**1,414,346**	332,757
Accumulated losses		**(87,346)**	(58,505)
Capital and reserves attributable to equity holders of the Company		**1,344,726**	288,552
Minority interests		**91,010**	16,562
Total equity		**1,435,736**	305,114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the period ended 31 December 2005				
	Attributable to equity holders of the Company				
	Share capital	**Reserves**	**Accumulated losses**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 10)	*(Note 11)*			
Balance as at 1 April 2005	10,000	35,024	(16,359)	16,357	45,022
Currency translation differences	–	–	–	318	318
Net income recognised directly in equity	–	–	–	318	318
Loss for the period	–	–	(42,146)	(113)	(42,259)
Total recognised income/(expense) for the period	–	–	(42,146)	205	(41,941)
Share option scheme:					
– value of employee services	–	22,820	–	–	22,820
– value of other participants' services	–	3,459	–	–	3,459
Issue of shares	4,300	297,600	–	–	301,900
Share issue expenses	–	(26,146)	–	–	(26,146)
	4,300	297,733	–	–	302,033
Balance as at 31 December 2005	14,300	332,757	(58,505)	16,562	305,114

	For the year ended 31 December 2006				
	Attributable to equity holders of the Company				
	Share capital	**Reserves**	**Accumulated losses**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 10)	*(Note 11)*			
Balance as at 1 January 2006	14,300	332,757	(58,505)	16,562	305,114
Currency translation differences	–	3,037	–	2,071	5,108
Net income recognised directly in equity	–	3,037	–	2,071	5,108
Profit/(Loss) for the year	–	–	(29,188)	26,289	(2,899)
Total recognised income/(expense) for the year	–	3,037	(29,188)	28,360	2,209
Repurchase of shares	(375)	(53,273)	–	–	(53,648)
Share option scheme:					
– value of employee services	–	19,600	–	–	19,600
– value of other participants' services	–	4,223	–	–	4,223
– issue of shares under share option scheme	1	234	–	–	235
– vested share options lapsed	–	(347)	347	–	–
Issue of shares under subscription agreements	1,800	659,700	–	–	661,500
Issue of shares arising on business combination	2,000	478,000	–	–	480,000
Share issue expenses	–	(29,585)	–	–	(29,585)
Minority interests arising on business combination	–	–	–	46,088	46,088
	3,426	1,078,552	347	46,088	1,128,413
Balance as at 31 December 2006	**17,726**	**1,414,346**	**(87,346)**	**91,010**	**1,435,736**

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") 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.

On 18 November 2005, the Company announced that the financial year end date of the Company was changed from 31 March to 31 December commencing from the financial year 2005. Accordingly, the financial statements for the current period cover the 12-month period from 1 January 2006 to 31 December 2006. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity and related notes cover the 9-month period from 1 April 2005 to 31 December 2005 and therefore may not be comparable with the amounts shown for the current period.

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. 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 available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(a) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment) – Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 (Amendment) – Net Investment in a Foreign Operation;
- HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment) – The Fair Value Option;
- HKAS 39 and HKFRS 4 (Amendments) – Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4, Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for annual periods beginning on or after 1 December 2005).

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but that the Group has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures and HKAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to HKAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1 January 2007;

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have a significant impact on the Group's financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have a significant impact on the Group's financial statements; and

- HK(IFRIC)-Int 11, HKFRS 2, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). HK(IFRIC)-Int 11 provides guidance on classifying share-based payment transactions involving an entity's own equity instruments or the equity instruments of the parent. The Group will apply HK(IFRIC)-Int 11 from 1 January 2007, but it is not expected to have a significant impact on the Group's financial statements.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

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 from continuing operations is as follows:

	Year ended 31 December 2006 *HK$'000*	Period ended 31 December 2005 *HK$'000* As restated
Turnover		
Income from provision of VLT	**71,295**	–
Income from provision of consultancy services	**50**	–
	71,345	–

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 year ended 31 December 2006, over 90% of the Group's revenues were derived from the Group's continuing operations representing investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. For the period ended 31 December 2005, over 90% of the Group's revenues were derived from the Group's discontinued operations representing the operations of metal exchange portals for metal trading and ancillary value-chain services, metal trading, provision of consultancy and logistics services and application software development services, which were ceased on 1 June 2006. Accordingly, no further business segment information is presented.

(b) Secondary reporting format – geographical segments

For the year ended 31 December 2006 and the period ended 31 December 2005, 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	**As at 31 December 2006** *HK$'000*	As at 31 December 2005 *HK$'000*
PRC	**1,143,421**	19,463
Hong Kong	**294,374**	288,744
Korea	**4,793**	4,833
	1,442,588	313,040
Investment in an associate	**54,016**	2
	1,496,604	313,042

Capital expenditure	**Year ended 31 December 2006** *HK$'000*	Period ended 31 December 2005 *HK$'000*
PRC	**1,060,890**	–
Hong Kong	**720**	2,052
	1,061,610	2,052

4. INCOME TAX

The amount of income tax charged/(credited) to the consolidated income statement represents:

	Year ended 31 December 2006 *HK$'000*	Period ended 31 December 2005 *HK$'000*
Current income tax		
– Hong Kong profits tax	**186**	–
Deferred income tax	**–**	(179)
	186	(179)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities of 17.5% (Period ended 31 December 2005: 17.5%) as follows:

	Year ended 31 December 2006 *HK$'000*	Period ended 31 December 2005 *HK$'000*
Profit/(Loss) before income tax		
From continuing operations	**12,035**	(42,402)
From discontinued operations	**(14,748)**	(36)
	(2,713)	(42,438)
Tax calculated at Hong Kong profits tax rate of 17.5%	**(475)**	(7,427)
Income not subject to tax	**(15,806)**	(2,794)
Expenses not deductible for tax purposes	**16,467**	10,221
Others	**–**	(179)
Tax charge/(credit)	**186**	(179)

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and accordingly is exempted from income tax in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the payment of British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (Period ended 31 December 2005: 17.5%) on the estimated assessable profit arising in Hong Kong for the year. No provision for Hong Kong profits tax has been made for the period ended 31 December 2005 as the Group had no assessable profits arising in or derived from Hong Kong for that period. No provision for the profits tax of subsidiaries operating outside Hong Kong has been made as the subsidiaries did not generate any assessable profits in the respective jurisdictions for both the current year and prior period.

5. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2006	Period ended 31 December 2005
Loss from continuing operations attributable to equity holders of the Company *(HK$'000)*	**14,440**	42,110
Loss from discontinued operations attributable to equity holders of the Company *(HK$'000)*	**14,748**	36
Loss attributable to equity holders of the Company *(HK$'000)*	**29,188**	42,146
Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share	**1,720,905,452**	1,307,818,182
Basic loss per share		
– Continuing operations	**0.84 HK cents**	3.22 HK cents
– Discontinued operations	**0.86 HK cents**	Negligible
	1.70 HK cents	3.22 HK cents

(b) Diluted loss per share

The computation of diluted loss per share has not assumed the exercise of options outstanding during the periods because their exercise would reduce the loss per share.

6. ACCOUNTS RECEIVABLE

Income from provision of VLT is billed on a monthly basis and is due 15 days after month-end. As at 31 December 2006, the ageing analysis of the accounts receivable is as follows:

	As at 31 December 2006 ***HK$'000***	As at 31 December 2005 *HK$'000*
0 – 30 days	**14,893**	–
31 – 60 days	**9,245**	–
	24,138	–

The carrying amounts of the Group's accounts receivable are denominated in Renminbi. The carrying amounts of the Group's accounts receivable approximate their fair values.

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance of prepayments, deposits and other receivables of the Group as at 31 December 2005 is an initial deposit of HK$10 million paid by the Group upon entering into a heads of agreement on 20 December 2005 in connection with the subscription of interest in Corich International Limited.

The carrying amounts of the Group's prepayments, deposits and other receivables approximate their fair values.

8. ACCOUNTS PAYABLE

As at 31 December 2006, the ageing analysis of the accounts payable is as follows:

	As at 31 December 2006	As at 31 December 2005
	HK$'000	*HK$'000*
0 – 30 days	**646**	–
31 – 60 days	**631**	–
Over 60 days	**1,403**	–
	2,680	–

The carrying amounts of the Group's accounts payable are denominated in Renminbi. The carrying amounts of the Group's accounts payable approximate their fair values.

9. ACCRUALS AND OTHER PAYABLES

The carrying amounts of the Group's accruals and other payables approximate their fair values.

10. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
As at 1 April 2005, 31 December 2005 and 1 January 2006	2,000,000,000	20,000
Increase in authorised share capital *(Note (i))*	2,000,000,000	20,000
As at 31 December 2006	**4,000,000,000**	**40,000**

	Issued and fully paid ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
As at 1 April 2005	1,000,000,000	10,000
New issue of shares *(Note (ii))*	200,000,000	2,000
New issue of shares *(Note (iii))*	230,000,000	2,300
As at 31 December 2005 and 1 January 2006	1,430,000,000	14,300
Shares options exercised *(Note (iv))*	120,000	1
New issue of shares *(Note (v))*	180,000,000	1,800
New issue of shares *(Note (vi))*	200,000,000	2,000
Repurchase of shares *(Note (vii))*	(37,538,000)	(375)
As at 31 December 2006	**1,772,582,000**	**17,726**

Notes:

(i) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 21 March 2006, the authorised share capital of the Company was increased from HK$20,000,000 to HK$40,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.01 each in the capital of the Company (the "Shares").

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

(iii) Pursuant to the subscription agreements dated 9 August 2005, the Company allotted and issued a total of 230,000,000 new Shares to the subscribers on 19 August 2005, following the completion of the placing agreement for the placing of a total of 400,000,000 existing Shares (the "2005 Top-up Placing") to more than six placees. The Company raised a sum of approximately HK$271 million through the 2005 Top-up Placing and the fund was intended to be used as to approximately HK$59 million to pay up the capital commitment of Tabcorp International Hong Kong Limited and the remaining balance for investing in other relevant business opportunities that may arise in the future and for the Group's general working capital.

(iv) Share options were exercised by optionholders in January 2006 to subscribe for a total of 120,000 Shares by payment of subscription monies of approximately HK$235,000, of which HK$1,000 was credited to share capital and the balance of HK$234,000 was credited to the share premium account.

(v) Pursuant to the subscription agreements dated 17 January 2006, the Company allotted and issued a total of 180,000,000 new Shares at a subscription price of HK$3.675 each to the subscribers on 27 January 2006, following the completion of the placing agreements for the placing of 180,000,000 existing Shares to more than six placees at a placing price of HK$3.675 each (the "2006 Top-up Placing"). The Company raised a sum of approximately HK$631.9 million through the 2006 Top-up Placing and the fund was partly used to settle the balance of the cash consideration of HK$470 million for the subscription of interest in Corich International Limited and as the Group's general working capital.

(vi) Pursuant to the subscription agreement dated 9 January 2006, the Company alotted and issued a total of 200,000,000 new Shares (the "Consideration Share(s)") at HK$2.40 per Consideration Share to Toward Plan Investments Limited and Win Key Development Limited on 28 April 2006 as payment of part of the consideration for the subscription of interest in Corich International Limited.

(vii) The Company repurchased 37,538,000 of its own Shares on the Stock Exchange in February and May 2006. The highest and lowest price paid per Share were HK$2.95 and HK$0.87 respectively. The total amount paid for the repurchase of Shares was approximately HK$53,648,000 and has been deducted from shareholders' equity. The Shares repurchased were subsequently cancelled.

11. RESERVES

	Share premium	**Capital reserve**	**Cumulative translation reserve**	**Share-based compensation reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 April 2005	19,865	15,158	1	–	35,024
Share option scheme:					
– value of employee services	–	–	–	22,820	22,820
– value of other participants' services	–	–	–	3,459	3,459
Issue of shares	271,454	–	–	–	271,454
Balance as at 31 December 2005 and 1 January 2006	291,319	15,158	1	26,279	332,757
Repurchase of shares	(53,273)	–	–	–	(53,273)
Share option scheme:					
– value of employee services	–	–	–	19,600	19,600
– value of other participants' services	–	–	–	4,223	4,223
– issue of shares under share option scheme	401	–	–	(167)	234
– vested share options lapsed	–	–	–	(347)	(347)
Issue of shares	1,137,700	–	–	–	1,137,700
Share issue expenses	(29,585)	–	–	–	(29,585)
Currency translation differences					
– overseas subsidiaries	–	–	2,070	–	2,070
– overseas associate	–	–	967	–	967
Balance as at 31 December 2006	**1,346,562**	**15,158**	**3,038**	**49,588**	**1,414,346**

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (for the nine months period ended 31 December 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

Business Review

2006 marked the first year in which the Group completed its business transformation and commenced its operations in public welfare lottery business in China. During the year, the Group built up its operational infrastructure, terminated its metal business and realigned its resources to focus on the lottery related business. The Group recorded a turnover of approximately HK$71.3 million during its eight months' operations following the completion of the acquisition of its VLT ("Video Lottery Terminal") equipment manufacturing operations, with the fourth quarter's turnover representing a 43% growth over that of the previous quarter. Excluding the value of share options expensed, amortization of intangibles and the loss for the discontinued businesses, the Group recorded profit attributable to equity holders of the Company of approximately HK$11.8 million.

The Group completed its acquisition of 50% interest in Corich International Limited ("Corich") in April 2006 and had the control of the board of directors of Corich. Following the completion of the acquisition, Dongguan Corich Electronic Co., Ltd. ("Dongguan Corich"), a wholly-owned subsidiary of Corich, established a new production plant and a research and development centre. The principal operations of Dongguan Corich are the research, development, production, and supply of VLTs. It is an exclusive sole supplier of VLTs for the CLO halls ("「中福在線」銷售大廳") on a nationwide basis for a period of ten years.

The Group's VLT business has benefited from the rapid development of CLO ("「中福在線」") VLT operations across China. VLT operations have become the new growth engine for public welfare lottery sales following the completion of successful nationwide trial run. Total VLT sales amounted to RMB4,551 million in 2006, representing an almost sevenfold increase over 2005's total sales of RMB675 million, and accounted for approximately 9.2% of the national welfare lottery sales of approximately RMB49,567 million in 2006 (approximately 1.6% in 2005). As at the end of 2006, there were approximately 10,700 connected VLT terminals operating in 455 CLO halls in 257 municipal cities and 28 provincial cities throughout the country. Weekly national VLT sales increased from RMB44.2 million in the first week of 2006 to more than RMB163.2 million in the last week of the year. Average daily sales per connected VLT terminal increased 53% from RMB1,416 to RMB2,168 over the same period.

The Group's research and development centre initiated and completed the research and development work on a new generation of VLT terminals and this new product is expected to be launched in mid-2007. The second-generation VLT incorporates liquid crystal display touch-screen and user-friendly features, and is modern looking, meeting international standards for similar products.

Tabcorp International Hong Kong Limited ("TIHK"), a joint venture between the Group and Tabcorp Holdings Limited of Australia, continued to make progress in the KENO project in the PRC in 2006. Trial run of KENO system in CLO halls throughout the country is almost completed. In preparation for the nationwide roll out of KENO in commercial outlets and leisure and other entertainment centres, TIHK is currently working closely with China Welfare Lottery Issuance Center ("CWLC") in finalising the roll out implementation plan. The national roll out is expected to commence in the second quarter of 2007 and will initially focus on a number of coastal and economically developed provinces.

The Group is establishing a joint venture with Octavian International Limited and signed an agreement on 29 June 2006 to form Aceteam Investment Limited ("AIL"). There is no business operation within AIL at present. The company is currently exploring opportunities in equipment and technical support in the lottery and gaming segment in the Asian market.

Business Outlook

Welfare lottery is a fast developing national business directed by the PRC authorities with the mission to help those in poverty, support disaster relief, and to provide welfare support to the public ("扶貧、救災、濟困、助孤"). Welfare lottery had contributed over RMB73,000 million to social security and welfare funds in its twenty years of operation since its launch in 1987 and had contributed significantly to the development of China welfare business. In 2006, total sales from welfare lottery amounted to approximately RMB49,567 million, and raised approximately RMB17,351 million in welfare funds.

In recent years, the Central Government has stated its desire to create a harmonious society. The country will continue to require a healthy growth of public welfare lottery to provide important contribution to support the welfare need of many people in China. The Group believes that high frequency games operated under the CLO ("「中福在線」") brand name as new welfare lottery product, will continue to grow rapidly in the future under the strict supervision of the Ministry of Finance and the Ministry of Civil Affairs. Together with the determination of the Chinese government to clamp down on illegal gambling, there are significant growth opportunities in China's welfare lottery business.

The Group expects that there will be substantial growth in its VLT business in 2007 and sales of KENO will also gain momentum following the national roll out in the second quarter of 2007. The Group is optimistic of the prospects of its businesses overall.

The Group will continue to focus on lottery-related businesses in China and will seek to explore new business opportunities within the segment. The Group is continuing the build-up of its technical team, closely monitoring any good acquisition targets and will add internal resources as appropriate for organic expansion. The Group will continue to make relevant investment to strengthen its infrastructure to support the development of lottery related business with the aim to provide long term and stable returns to our shareholders.

Financial Review

The discussion and analysis below is intended to enhance the reader's understanding of our business and operations. This is provided as a supplement to and should be read in conjunction with the consolidated financial statements set out in this announcement.

Selected Financial Information

	As at and for the year ended 31 December 2006 *HK$'m*	
Turnover		71.3
Cost of services:		
Business tax	(3.6)	
VLT depreciation	(5.4)	
Others	(2.0)	
		(11.0)
Gross profit		60.3
VLT business overheads		(2.7)
Contribution from VLT business		57.6
Corporate overheads:		
Staff costs	(17.5)	
Share-based compensation expenses	(23.8)	
Depreciation of office equipments and amortization of intangible assets	(5.6)	
Others	(14.0)	
Total corporate overheads		(60.9)
Other income and gains		20.2
		16.9
Share of profit less loss from associates		(4.9)
Profit before income tax		12.0
Income tax		(0.2)
Profit for the year from continuing operations		11.8
Loss for the year from discontinued operations		(14.7)
Loss for the year		(2.9)
Attributable to:		
Equity holders of the Company		(29.2)
Minority interests		26.3
		(2.9)
Investment in property, plant, and equipment		67.3
Cash flows from operating activities		14.6
Cash flows from financing activities		578.5
Total equity		1,435.7

The Group started consolidating the VLT operations following the completion of acquisition of 50% interest in Corich on 28 April 2006. Accordingly, only 8 months' operating results of VLT were consolidated into the Group's financial results for the year ended 31 December 2006. Since the results of 2005 represented that of the Group's former metal business which was terminated during the year, they were not presented here for comparison purposes.

The Group's turnover represented mainly income from provision and maintenance of VLTs pursuant to a contract between Dongguan Corich Electronic Co., Ltd. ("Dongguan Corich"), a wholly-owned subsidiary of Corich, and Beijing Lottery Online Technology Co. Ltd. The contract will ensure that Dongguan Corich will be the sole supplier of VLT to the PRC's welfare lottery system for a period of 10 years. Under the contract, the Group received a service fee of 2% of VLT sales (inclusive of a maintenance fee of 0.4%). In 2006, the Group recorded turnover of approximately HK$71.3 million during its 8 months' operations in public welfare lottery market in China, with the fourth quarter's turnover representing a 43% growth over that of the previous quarter.

Cost of provision and maintenance of VLT consisted mainly of VLT depreciation charges, transportation charges for delivery of VLTs to CLO halls, as well as charges for spare parts and maintenance work.

A charge of approximately HK$4.9 million in relation to amortization of intangible asset was incurred during the year. Intangible asset of approximately HK$60.4 million arose as a result of the acquisition of 50% interest in Corich, and the amount represented the fair value of the VLT provisioning contract between Dongguan Corich and CLO. The intangible asset is amortized over its remaining contract period of 9 years, with annual amortization charge of approximately HK$6.5 million.

Approximately HK$14.7 million loss from discontinued operations was recorded in 2006 as the Group terminated its former metal business.

The Group's investments in property, plant and equipment for the year ended 31 December 2006 amounted to approximately HK$67.3 million. The majority of the amount represented investments in VLTs.

During the year, the Group incurred expenses of approximately HK$23.8 million in relation to the grant of share options. As at 31 December 2006, the Group had outstanding options for 76.38 million ordinary shares of HK$0.01 each in the share capital of the Company, or approximately 4.3% of the issued share capital of the Company.

Share of profit less loss from associates represented mainly the development and start-up costs for the KENO project. The Group's share of the associates' profit less loss amounted to approximately HK$4.9 million for the year.

Liquidity, Financial Resources, Gearing Ratio, Capital Structure

The Group raised approximately HK$631.9 million in net proceeds from a placement of 180 million shares during the year, which was used in part to finance the acquisition of 50% interest in Corich. The Group also generated HK$14.6 million cash from its operating activities during the year.

As at 31 December 2006, the Group had an outstanding guarantee and indemnity for 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. No treasury facilities were utilized as at 31 December 2006 (as at 31 December 2005: Nil).

The Group expects that the available financial resources will sufficiently fund our capital and operating requirements. The Group did not have any bank borrowings as at 31 December 2006 (as at 31 December 2005: Nil).

The Group's total equity amounted to approximately HK$1,435.7 million as at 31 December 2006 (as at 31 December 2005: HK$305.1 million). As at 31 December 2006, net current assets of the Group amounted to approximately HK$336.8 million (as at 31 December 2005: HK$300.5 million), including approximately HK$326.8 million in cash and deposits with banks and financial institution (as at 31 December 2005: HK$258.0 million).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 31 December 2006 was approximately 4.1% (as at 31 December 2005: 2.5%).

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

China LotSynergy Holdings Limited (the "Company"), China LotSynergy Group Limited ("CLG"), a wholly-owned subsidiary of the Company, Corich International Limited ("Corich"), and others entered into a subscription agreement on 9 January 2006, pursuant to which the Group would subscribe for 1 million shares of Corich, representing either approximately 33.3% or 50% (depending on whether the redemption rights under the agreement would be exercised) in the issued share capital of Corich as a result of the subscription, for a consideration of HK$980 million, to be satisfied as to HK$500 million by cash and as to HK$480 million by the allotment and issue of 200 million shares of the Company. An initial deposit of HK$10 million was paid on 20 December 2005 and a further deposit of HK$20 million was paid on 12 January 2006 in accordance with the agreement. On 4 April 2006, the Group completed the subscription by payment of the remaining cash consideration of HK$470 million and on 28 April 2006, the subscriber's redemption right was exercised by the Group, where the 200 million consideration shares were issued and allotted. After the exercise of the redemption right, the Group holds 50% interest in the total issued share capital of Corich.

Exposure to Exchange Rates Fluctuation

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, Australian dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations.

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. Details of segment information are set out in note 3 to the financial statements in this announcement.

Pledge of Asset

As at 31 December 2006, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (as at 31 December 2005: Nil).

Contingent Liabilities

As at 31 December 2006, the Group did not have any material contingent liabilities (as at 31 December 2005: Nil).

Staff

As at 31 December 2006, the Group had 120 full time employees. The management believes that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

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

During the year ended 31 December 2006, the Company repurchased a total of 37,538,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandates granted by the shareholders at the annual general meetings held on 29 September 2005 and 24 April 2006, details of which were as follows:–

Month/Year	Number of shares repurchased	Price per share Lowest	Price per share Highest	Total consideration (before expense)
		HK$	*HK$*	*HK$*
02/2006	8,168,000	2.475	2.950	23,510,600
05/2006	29,370,000	0.870	1.630	29,884,300

All shares repurchased were cancelled 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, redeemed or sold any of the Company's listed securities during the year ended 31 December 2006.

COMPETING INTERESTS

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on The 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 Company has established an Audit Committee which comprises the three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. LI Xiaojun. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the year ended 31 December 2006 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2006, except for the following deviations:

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

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

– Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Remuneration Committee was established on 10 August 2006 with specific written terms of reference which deal with its authority and duties. As at the date of this announcement, the Remuneration Committee comprises three members, Mr. Huang Shenglen, Mr. Chan Ming Fai and Mr. Hoong Cheong Thard. The Remuneration Committee will meet at least once a year to determine the policy for the remuneration of Directors and the senior management, and consider and review the terms of service contract of the Directors and the senior management.

  Prior to the setting up of the Remuneration Committee during the year, a committee comprising the Chairman, the Chief Executive Officer and the Head of Personnel Department had been responsible for determining and reviewing the Group's overall remuneration policy and structure for the remuneration of the Directors, but no Director would be involved in deciding his own remuneration.

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

REQUIRED STANDARD OF DEALING REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board
LAU Ting
Chairman

Hong Kong, 26 March 2007

As at the date of this announcement, the Board of Directors of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Hoong Cheong Thard, Mr. Wang Taoguang, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as Executive Directors and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.

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