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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)**

## **ANNOUNCEMENT**

On 29 June 2006, CLS, a wholly-owned subsidiary of the Company, Octavian and AIL entered into the JV Agreement with the view to jointly develop lottery related businesses in the PRC and internationally.

Octavian is an international provider of networked gaming systems and software solutions. Headquartered in the United Kingdom, Octavian operates branch offices and technical centres in Argentina, Colombia, India, Italy, Russia and Spain. They develop, supply and support gaming systems and games and provide ranges of products and professional services.

Pursuant to the JV Agreement, CLS and Octavian agreed to establish a joint venture company namely Aceteam Investment Limited (“AIL”), in which 60% of the shareholding will be owned by CLS and 40% of the shareholding will be owned by Octavian. The total paid-up capital committed by both parties amounts to HK\$46,800,000.

The Company considers that the establishment of a joint venture with Octavian could leverage both parties’ strengths in the PRC and international lottery markets and technical know-how in lottery industry and enhance the Company’s technical capabilities in lottery products, thereby maximizing both parties’ business interests. The Company believes that the collaboration between the parties will create synergy.

### **INTRODUCTION**

Reference is made to the announcements of the Company dated 17 May 2006 and 7 June 2006 in relation to the establishment of a strategic alliance between the Company and Octavian.

On 29 June 2006, CLS, a wholly-owned subsidiary of the Company, Octavian and AIL entered into the JV Agreement with the view to jointly develop lottery related businesses in the PRC and internationally. Pursuant to the JV Agreement, CLS and Octavian agreed to establish a joint venture company namely Aceteam Investment Limited (“AIL”), in which 60% of the shareholding will be owned by CLS and 40% of the shareholding will be owned by Octavian.

AIL, in combining Octavian's specialized technology and CLS's China market resources, will integrate, develop and provide comprehensive technical support for ranges of lottery products, particularly for VLT, in areas of system upgrade, software development, hardware design and production. AIL's professional team will be made up of experienced technical staff with considerable international know-how focused on the technology development, and supported by an experienced marketing and sales team, for active expansion of lottery related businesses in the international market.

Octavian is an international provider of networked gaming systems and software solutions. Headquartered in the United Kingdom, Octavian operates offices and technical centres in Russia, Argentina, Colombia, India, Italy and Spain. They develop, supply and support gaming systems and games and provide ranges of products and professional services. Octavian's innovative product portfolio includes highly creative game halls, casino 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.

The Company considers that the establishment of a joint venture with Octavian could leverage both parties' strengths in the PRC and international lottery markets and technical know-how in lottery industry and enhance the Company's technical capabilities in lottery products, thereby maximizing both parties' business interests. The Company believes that the collaboration between the parties will create synergy.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The Directors are confident that Octavian's relevant technical expertise in lottery technologies and their technical team will create synergy with the Group's present and developing lottery business. The Directors believe that such cooperation will contribute to the revenue and future profitability of the Group.

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, Octavian and its ultimate beneficial owners are independent of the Company and its connected persons.

## **THE JV AGREEMENT DATED 29 JUNE 2006**

The principal terms of the JV Agreement are set out below:

### **Parties**

- (i) CLS, a wholly-owned subsidiary of the Company;
- (ii) Octavian, a company incorporated under the laws of England; and
- (iii) AIL, a company incorporated under the laws of Hong Kong.

### **Capital Commitment**

The total paid-up capital committed by both parties amounts to HK\$46,800,000 which will be contributed in the following manner:

- (i) At first stage completion, each of CLS and Octavian shall contribute by way of equity in cash in the amount of HK\$2,339,999 and HK\$1,560,000 respectively; and

- (ii) At second stage completion, CLS shall contribute by way of equity in cash in the amount of HK\$25,740,000, whereas Octavian shall contribute by way of equity in kind by signing and completing the License Agreement. After the second stage completion, the shareholding of AIL shall be owned as to 60% and 40% by CLS and Octavian respectively.

The above-mentioned capital commitment by both parties was arrived at after arm's length negotiations between CLS and Octavian and with reference to the requirement for development of the joint venture business.

### **Board composition**

The initial number of directors of AIL shall be five, where CLS is entitled to appoint three directors while Octavian is entitled to appoint two directors.

### **Completion**

The first stage completion shall take place immediately after the execution of the JV Agreement (or such other time as shall be agreed between CLS and Octavian) and the second stage completion shall take place upon the conditions as specified in the JV Agreement being fulfilled to the satisfaction of the parties on or before 30 September 2006, or such other dates as the parties may agree in writing.

### **FINANCIAL EFFECT OF THE PROPOSED JOINT VENTURE ON THE GROUP**

AIL will be a subsidiary of the Company, the Group's interest in which will be consolidated into the financial statements of the Group as a subsidiary.

### **GENERAL**

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

Octavian is an international provider of networked gaming systems and software solutions. Headquartered in the United Kingdom, Octavian operates branch offices and technical centres in Russia, Argentina, Columbia, India, Italy and Spain. They develop, supply and support gaming systems and games and provide ranges of products and professional services.

As at the date of this announcement, the Board comprises Ms. Lau Ting, Mr. Sun Ho, 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.

### **DEFINITIONS**

In this announcement, unless stated otherwise, the following terms shall have the following meanings:

“AIL”	Aceteam Investment Limited, a company incorporated in Hong Kong, one share of HK\$1.00 in its share capital is issued and is held by CLS
“Board”	the board of Directors

“CLS”	China LotSynergy Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Company”	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“connected person(s)”	has the meaning given to it under the GEM Listing Rules
“Directors”	directors of the Company
“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
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement in relation to AIL entered into amongst CLS, Octavian and AIL with the view to jointly develop lottery related businesses in the PRC and internationally
“License Agreement”	the license, sub-license or other forms of agreement whereby AIL is granted the right to use the software programs as defined in the JV Agreement, in consideration of the allotment and issuance of 17,160,000 shares of AIL and payment of US\$800,000 (equivalent to HK\$6,240,000), in such form to be agreed by CLS, Octavian and AIL
“Octavian”	Octavian International Limited, a privately owned company incorporated in England
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board  
**China LotSynergy Holdings Limited**  
**Ng Lai Ping, Grace**  
*Company Secretary*

Hong Kong, 29 June 2006

*For illustration purpose, all amounts in US\$ have been translated to HK\$ at an exchange rate of US\$1 = HK\$7.8.*

*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.*

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