China LotSynergy Holdings Limited
華彩控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1371)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL RESULTS (AUDITED)

The board of directors (the "Board" or the "Directors") of China LotSynergy Holdings Limited (the "Company") hereby presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	3	**1,034,769**	743,756
Costs of sales and services			
– Depreciation of lottery terminals		**(109,339)**	(80,083)
– Others		**(199,566)**	(119,692)
		(308,905)	(199,775)
Gross profit		**725,864**	543,981
Other income	4	**31,510**	20,171
Other (losses)/gains – net	5	**(15,305)**	4,298
General and administrative expenses		**(239,256)**	(182,513)
Share option expenses		**(12,378)**	(7,031)
Operating profit	6	**490,435**	378,906
Finance costs	7	**(55,600)**	(22,656)
Share of profits/(losses) of joint ventures		**917**	(7,048)
Profit before income tax		**435,752**	349,202
Income tax expense	8	**(93,433)**	(87,000)
Profit for the year		**342,319**	262,202
Profit attributable to:			
Owners of the Company		**100,010**	88,556
Non-controlling interests		**242,309**	173,646
		342,319	262,202
Earnings per share attributable to owners of the Company during the year			
– basic	9	**1.27 HK cents**	1.18 HK cents
– diluted	9	**1.25 HK cents**	1.17 HK cents

	Notes	2014 HK$'000	2013 HK$'000
Dividends	13	**21,137**	18,319

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**342,319**	262,202
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss		
Fair value (loss)/gain on available-for-sale financial assets	**(377)**	4,410
Reclassification adjustment on disposal of available-for-sale financial assets	**–**	(3,755)
Release of currency translation reserve upon disposal of a subsidiary	**1,394**	–
Currency translation differences	**(46,716)**	21,625
Other comprehensive (expense)/income for the year	**(45,699)**	22,280
Total comprehensive income for the year	**296,620**	284,482
Attributable to:		
Owners of the Company	**63,282**	102,551
Non-controlling interests	**233,338**	181,931
Total comprehensive income for the year	**296,620**	284,482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**661,758**	635,111
Intangible assets		**555,430**	435,792
Investments in joint ventures		**51,567**	95,705
Available-for-sale financial assets		**35,161**	35,538
Deferred income tax assets		**8,807**	8,401
Prepaid rentals		**253**	1,299
		1,312,976	1,211,846
Current assets			
Inventories		**54,160**	28,168
Accounts receivable	*10*	**301,007**	83,607
Prepayments, deposits and other receivables		**459,992**	195,141
Amounts due from joint ventures		**337**	79
Amount due from a related company		**21,564**	21,564
Financial assets at fair value through profit or loss		**876,245**	–
Cash and bank balances		**907,930**	841,129
		2,621,235	1,169,688
Total assets		**3,934,211**	2,381,534
Current liabilities			
Accounts payable	*11*	**41,513**	7,638
Accruals and other payables		**72,657**	36,884
Amounts due to joint ventures		**5,969**	5,365
Income tax payable		**28,822**	28,058
Bank borrowings		**911,213**	797,243
		1,060,174	875,188
Net current assets		**1,561,061**	294,500
Total assets less current liabilities		**2,874,037**	1,506,346
Non-current liabilities			
Convertible bonds		**588,321**	–
Deferred income tax liabilities		**79,951**	50,170
		668,272	50,170
Net assets		**2,205,765**	1,456,176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

At 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Equity attributable to owners of the Company			
Share capital	*12*	**21,131**	19,017
Reserves		**1,365,162**	886,497
Retained profits		**375,396**	289,091
		1,761,689	1,194,605
Non-controlling interests		**444,076**	261,571
Total equity		**2,205,765**	1,456,176

Notes:

1. GENERAL INFORMATION

China LotSynergy Holdings Limited (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 and its subsidiaries (collectively referred to as the "Group") are technology and operation service providers of lottery systems, terminal equipment and game products in the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and high frequency lottery, to new media lottery.

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and there have been no significant impact on the Group's consolidated financial statements.

Amendment to HKAS 32 "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment is to the application guidance in HKAS 32 "Financial instruments: Presentation" and clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

2. BASIS OF PREPARATION *(Cont'd)*

Changes in accounting policy and disclosures *(Cont'd)*

(a) New and amended standards adopted by the Group (Cont'd)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Consolidation for investment entities". These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36 "Impairment of assets" on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39 "Financial instruments: Recognition and measurement – Novation of derivatives". This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 "Levies" is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual improvements to HKFRSs 2010-2012 cycle. These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect seven standards, only the below are effective for relevant transactions on or after 1 July 2014:

- HKFRS 2 "Share-based payment". The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and service condition'.

- HKFRS 3 "Business combinations" and consequential amendments to HKFRS 9 "Financial instruments", HKAS 37 "Provision, contingent liabilities and contingent assets", and HKAS 39 "Financial instruments – Recognition and measurement". The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

2. BASIS OF PREPARATION *(Cont'd)*

Changes in accounting policy and disclosures *(Cont'd)*

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group is a technology and operation service provider of lottery systems, terminal equipment and game products in the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and high frequency lottery, to new media lottery. An analysis of the Group's turnover for the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Income from provision of lottery terminals and lottery sales channels	**973,847**	728,201
Income from sales of equipment	**60,712**	15,197
Income from provision of consultancy services	**210**	358
	1,034,769	743,756

Segment information

The Group's revenue and contribution to profit were mainly derived from the provision of technology and operation service for lottery systems, terminal equipment and game products in the lottery market in China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

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

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
People's Republic of China ("PRC") (Country of domicile)	**1,034,769**	743,756

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2014		2013	
	Total assets	**Additions to non-current assets**	Total assets	Additions to non-current assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
PRC	**1,093,816**	**283,605**	993,227	233,039
Hong Kong	**175,192**	**4,715**	174,680	11,562
	1,269,008	**288,320**	1,167,907	244,601

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred income tax assets.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**N/A**	43,771
Customer B	**810,212**	618,041

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from bank deposits and loans receivables	**31,510**	20,171

5. OTHER (LOSSES)/GAINS – NET

	2014	2013
	HK$'000	*HK$'000*
Fair value adjustment of contingent consideration	**–**	(44)
Fair value losses on financial assets at fair value through profit or loss	**(17,802)**	–
Reclassification adjustment on disposal of available-for-sale financial assets	**–**	3,755
(Loss)/Gain on disposal of property, plant and equipment	**(476)**	71
Loss on disposal of a subsidiary	**(1,010)**	–
Foreign exchange gains	**3,983**	516
	(15,305)	4,298

6. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Costs of sales and services		
– Depreciation of lottery terminals	**109,339**	80,083
– Amortisation of intangible assets	**330**	–
– Business tax	**48,647**	38,376
– Cost of inventories recognised as expense	**48,439**	8,820
– Repairs and maintenance	**7,738**	6,270
– Commission and handling charges	**86,764**	57,597
– Other costs	**7,648**	8,629
	308,905	199,775
Operating lease rentals in respect of land and buildings	**12,132**	8,782
Auditors' remuneration	**880**	880
Amortisation of intangible assets	**6,528**	6,528
Depreciation of other items of property, plant and equipment	**9,682**	7,757

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expense on bank borrowings wholly repayable within five years	**22,940**	22,656
Interest expense on convertible bonds wholly repayable within five years	**32,660**	–
	55,600	22,656

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group had no assessable profits arising in or derived from Hong Kong for both years.

The applicable corporate income tax rate for PRC subsidiaries are 25% (2013: 25%) except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2013: 15%).

	2014	2013
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income Tax	**88,540**	67,295
– Adjustments in respect of prior years	**(333)**	40
Total current tax	**88,207**	67,335
Deferred tax		
– Origination and reversal of temporary differences	**5,226**	19,665
Income tax expense	**93,433**	87,000

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the Company *(HK$'000)*	**100,010**	88,556
Weighted average number of ordinary shares in issue	**7,856,192,688**	7,478,558,573
Basic earnings per share	**1.27 HK cents**	1.18 HK cents

(b) Diluted

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

	2014	2013
Profit attributable to owners of the Company *(HK$'000)*	**100,010**	88,556
Weighted average number of ordinary shares in issue	**7,856,192,688**	7,478,558,573
Effect of dilutive potential ordinary shares:		
– Share options	**147,787,262**	96,288,242
Weighted average number of ordinary shares for diluted earnings per share	**8,003,979,950**	7,574,846,815
Diluted earnings per share	**1.25 HK cents**	1.17 HK cents

The computation of diluted earnings per share for the year ended 31 December 2014 did not assume the conversion of the convertible bonds since their exercise would result in an increase in earnings per share.

In addition, the computation of diluted earnings per share for the year ended 31 December 2014 did not assume the exercise of the option granted by the Company to a wholly owned subsidiary of Tencent Holdings Limited because the exercise price of that option was higher than the average market price for shares.

10. ACCOUNTS RECEIVABLE

Income from provision of lottery terminals and lottery sales channels is billed on a monthly basis and is due 15 to 30 days after month-end. Income from sales of equipment is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Income from provision of consultancy services is billed on a monthly or yearly basis and is due 30 days after the invoice date. The ageing analysis of the accounts receivable at the end of the reporting period, based on invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Less than 3 months	**230,304**	82,828
Over 3 months but less than 1 year	**69,333**	728
Over 1 year	**1,370**	51
	301,007	83,607

Of the total accounts receivable outstanding at 31 December 2014, the amount of approximately HK$295,043,000 has been subsequently collected up to the date of this announcement.

11. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable at the end of the reporting period, based on invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Less than 3 months	**33,865**	6,980
Over 3 months but less than 1 year	**7,530**	596
Over 1 year	**118**	62
	41,513	7,638

12. SHARE CAPITAL

	Authorised ordinary shares of HK$0.0025 each	
	Number of shares	*HK$'000*
At 1 January 2013, 31 December 2013 and 31 December 2014	**16,000,000,000**	**40,000**

	Issued and fully paid ordinary shares of HK$0.0025 each	
	Number of shares	*HK$'000*
At 1 January 2013	7,452,584,666	18,631
Issue of consideration shares	8,888,154	22
Share options exercised	145,400,000	364
At 31 December 2013	7,606,872,820	19,017
Issue of new shares	**594,034,513**	**1,485**
Share options exercised	**351,100,000**	**878**
Share repurchased and cancelled	**(99,800,000)**	**(249)**
At 31 December 2014	**8,452,207,333**	**21,131**

13. DIVIDENDS

A final dividend in respect of the year ended 31 December 2014 of 0.25 HK cents (2013: 0.24 HK cents) per share, amounting to a total dividend of approximately HK$21,137,000 (2013: HK$18,319,000) is to be proposed at the Annual General Meeting on 27 May 2015. The consolidated financial statements do not reflect this dividend payable.

DIVIDEND

The Board has recommended the payment of a final dividend of 0.25 HK cents (2013: 0.24 HK cents) per share for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment, gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery ("VLT"), computer-generated ticket games ("CTG") and KENO-type lottery to new media lottery. By building up its technical competencies, expanding into new markets and upholding high standards of corporate governance, the Group has established a solid foundation and an outstanding corporate brand name, providing it with comprehensive capabilities for sustainable development.

China's Lottery Market

According to figures published by the Ministry of Finance, China's lottery market continued to grow in 2014, with total lottery sales of RMB382.38 billion, representing growth of 23.6% year on year ("YOY"). Welfare Lottery accounted for RMB205.97 billion in sales, growing at 16.7% YOY, whereas Sports Lottery accounted for RMB176.41 billion, growing at 32.8% YOY. Lotto and Digit games, which are the industry's main source of revenue, grew at 17.7% YOY, accounting for 65.1% of total lottery sales. VLT continued to grow rapidly at 30.4% YOY, accounting for 9.9% of total lottery sales. Driven by the 2014 FIFA World Cup, match-based games witnessed substantial growth of 81.7% YOY, accounting for 16.1% of total sales. Paper-based Scratch Card sales declined by 2.4% YOY, accounting for 9.0% of total sales. The Lotto and Digit category forms the backbone of China's lottery industry, followed by the VLT, Match-based games and Scratch Card categories, which form the other three key pillars of the sector.

Business Review and Outlook

The Group's business segments continued to develop steadily in 2014. As Welfare Lottery's fastest growing lottery type, VLT sales reached record highs, growing at 30.4% YOY. All VLT terminals have been replaced with third generation units, with a connected terminal base of approximately 38,000 units. On the Welfare CTG side, Guangdong Welfare Lottery continued to maintain steady sales growth. Meanwhile, Chongqing Welfare Lottery's sales grew significantly on the back of additional terminal rollouts. On the Sports CTG side, the Group has won bids to supply terminals to 9 provinces and regions. At the same time, the Group has continued a comprehensive expansion of its new media lottery business, which comprises telephone lottery and new-type lottery. By establishing closer ties with lottery authorities and channel partners on new channels and lottery types, the Group ensures that it will maintain its competitive advantage in the new media lottery arena.

Video Lottery Business

China Welfare Lottery Video Lottery (VLT) Business

As a technology-rich product, VLT has been playing an important role in China's lottery industry. The Group is the exclusive terminal equipment provider for VLT, which is Welfare Lottery's fastest growing lottery type. In 2014, total nationwide sales were RMB37.75 billion, representing YOY growth of 30.4%, marking the first time that it has reached a 9.9% share of total lottery sales.

In 2014, VLT maintained consistently stable growth, with monthly sales climbing from RMB2.78 billion in January to a peak of RMB3.54 billion in December. During the FIFA World Cup in June and July, VLT was relatively unaffected by the surge in Match-based games sales growth, and maintained monthly sales of over RMB3 billion, indicating that it already has its own established consumer base. VLT is steadily expanding its markets, with its unique gameplay features attracting an ever-increasing number of young players.

VLT has become a key growth driver for Welfare Lottery across the provinces. In 2014, Zhejiang was the top selling province for VLT, with total sales of RMB4.26 billion. Shandong (RMB3.34 billion), Jiangsu (RMB3.16 billion), Guangdong (RMB2.91 billion) and Hubei (RMB2.35 billion) were respectively ranked from second to fifth place. They were closely followed by the provinces of Hunan and Anhui, where sales exceeded RMB2 billion. 18 provinces had annual sales growth exceeding 30%, out of which the provinces of Guizhou, Sichuan, Yunnan, Ningxia, Tianjin, Shanghai, Jiangxi and Hunan grew at more than 50%. Guizhou was the fastest growing province, with YOY sales growth of 97%.

In 2014, all old generation VLT terminals were replaced with third generation units. The number of connected terminals approached an unprecedented 38,000 units, located in over 1,500 VLT halls. VLT's rapid growth is rooted in technological improvements and upgrades. Through close technical cooperation, the Group's research and development centre and subsidiary東莞天意電子有限公司("DGTY") have fully utilized the DGTY-built R&D platform - Guangdong Lottery Terminal Equipment Engineering and Technology Research Centre. The Group has formed indispensable core strengths in providing comprehensive VLT solutions, including terminals, as well as cashier stations, servers and systems in VLT halls. Corresponding to an increase in the number of connected terminals, average daily sales of VLT reached RMB105 million, and average daily sales per terminal was nearly RMB3,200. Thus, VLT has become one of China's most pivotal lottery types. As the large scale rollout of third generation terminals is slated to continue across the nation in 2015, VLT is set to achieve new sales records once again.

In recent years, video lottery has been very favourably received in developed markets such as Europe and the U.S. In particular, the U.S. market has reached its maturity, with a penetration rate of one terminal per 10,000 people. China's VLT market is still in its growth phase, with only 38,000 terminals across 28 provinces. Based on China's current population of 1.4 billion, VLT's current penetration rate is far lower than that of developed countries. VLT has promising development prospects in terms of both market volume and growth potential. The Group is fully prepared to bring the development of VLT to new heights.

CTG and KENO-type Lottery Business

CTG Business

Guangdong province, which is served by the Group's subsidiary, Guangzhou San Huan Yong Xin Technology Company ("GZSH"), remained the largest provincial Welfare Lottery market in China, with Welfare CTG sales of RMB12.48 billion in 2014. Chongqing, which is also served by GZSH, recorded Welfare CTG sales of RMB4.83 billion in 2014, representing growth of 43.7% YOY, which greatly exceeded overall Welfare Lottery sales growth. In June 2014, GZSH jointly won a bid with Beijing Bestinfo Cyber Technology Company Limited ("Bestinfo") to provide a comprehensive lottery sales and management system to Shanghai Welfare Lottery, along with the provision of 3,500 terminals for the Shanghai market. The system commenced a preliminary trial at the end of December 2014, and is slated to officially begin operation in April 2015. Additionally, GZSH continued to provide terminal maintenance services to Shenzhen Welfare Lottery Centre.

2014 was a year of major expansion for the Group's Sports CTG business. Guangzhou Lottnal Terminal Company Limited ("GZL"), a subsidiary of the Group, successively won bids to supply Sports Lottery CTG terminals to 9 provinces and regions, including Guizhou, Gansu, Zhejiang, Anhui, Guangxi, Heilongjiang, Inner Mongolia, Shanxi and Qinghai. The total number of supplied terminals reached over 6,000 units, placing the Group among the top three Sports Lottery terminal suppliers. Due to the rapid development of Match-based lottery games, demand for Sports Lottery terminals is strong. In 2015, the Group will leverage its unique technology and product advantages to increase its terminal sales, and provide more provinces with its high quality services. At the same time, the Group will continue to maintain its collaboration with domestic and international terminal manufacturers to provide specialized lottery products and core components, including lottery terminals and scanners.

In December 2014, Bestinfo became a wholly owned subsidiary of the Group, upgrading the Group's CTG business from a terminal-only provider to a comprehensive terminal and system solutions provider. This has enhanced the Group's CTG business, and provided it with a solid foundation for further development.

KENO-type Lottery Business

In 2014, KENO sales were approximately RMB80 million. In 2015, KENO's payout ratio is expected to increase. Management believes that once the payout ratio is increased, and beneficial measures such as co-location arrangements are implemented, KENO will break through its development bottleneck, and achieve rapid development in China.

New Media Lottery Business

Mobile Internet Business

The 2014 FIFA World Cup ushered in unprecedented development opportunities for China's lottery industry, particularly for the new media lottery segment. The Group's telephone lottery business continued to sustain significant growth, along with enhancement of technical systems and products and closer cooperation with lottery authorities, telecom operators and financial institutions.

In 2014, the Group continued to work closely with multiple provincial lottery authorities, and achieved major progress in telephone lottery system construction and in its distribution business.

The Group's mobile lottery app "華彩彩票" received a major facelift and upgrade in 2014, which greatly enhanced its product functionality and user experience. On the self-media side, the Group's WeChat official account "華彩彩票" was among the first to receive approval to conduct lottery sales on WeChat's platform, and its mobile lottery app "華彩彩票" became one of the first lottery apps to introduce WeChat payment in August 2014, further improving the lottery players' user experience.

The Group is an industry leader in terms of the breadth and depth of its collaborations with financial institutions and telecom operators. In January 2014, the Group commenced operations support for China Mobile's mobile payment-based lottery platform, with responsibilities for system construction, marketing and sales, providing lottery services to China Mobile's payment platform users nationwide. In March 2014, the Group became the lottery services provider for the e-commerce platform of China's largest financial institution, Industrial and Commercial Bank of China, launching its services through the bank's "融e購" platform and mobile banking app. In April 2014, the Group launched its mobile lottery business with China Minsheng Bank. At the end of 2014, the Group had established cooperation with close to 10 financial institutions.

In 2015, the Group will continue to leverage its advantages in new media lottery to implement and expand its collaborations with provincial lottery authorities on telephone lottery system construction and sales promotions. The Group will strive to seize market opportunities, develop its online-to-offline ("O2O") business, explore new business models and develop new sales channels. Additionally, it will continue to strengthen its collaborations with telecom operators and financial institutions, and expand the benefits of its cooperation. The Group hopes that its efforts will enable it to provide lottery authorities, financial institutions, telecom operators, and other important collaborators with innovative products and services, allowing it to make new contributions to China's lottery industry.

New-type Lottery Business

The Ministry of Finance's amendment of the "Provisional Regulation for the Administration of Telephone Lottery Sales" further clarified policies supporting the development of new lottery types. The mobile lottery market's surging growth, favorable government policies and a strong market have driven lottery authorities at all levels to become highly confident about the enormous potential of new-type lottery. This has accelerated the construction of new-type lottery systems and project submission, as lottery authorities scramble to be the first to expand into this new area.

2015 will be filled with development opportunities for the Group's new-type lottery business. The Group has begun preparing for a strategic rollout in the new-type lottery area with industry leading systems, games and services. By capitalizing on its first mover advantage, the Group will capture more business opportunities in the new-type lottery area and create greater value.

Conclusion

In 2014, the Group sustained healthy development of all parts of the VLT, CTG and new media lottery industry chain, and upgraded its role from a terminal provider to include the provision and operation of systems and services. In 2015, under the guidance of the State's "Internet Plus" grand strategy, the Group will take advantage of its status as an experienced professional lottery company, and capture development opportunities from the transformation of the lottery sector and lottery O2O strategies. The Group will further optimize its products and services, strengthen its competitive advantages, achieve breakthroughs and actively pursue new developments to create more value for shareholders.

Financial Review

The Group recorded a turnover of approximately HK$1,034.8 million for the year ended 31 December 2014, representing an increase of approximately 39.1% over 2013. The Group recorded approximately HK$100 million profit attributable to owners of the Company for the year ended 31 December 2014, representing an increase of approximately 12.9% over 2013. The improvement in both turnover and profit attributable to owners of the Company is mainly attributable to the sustained growth of the China lottery market in 2014.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

The Group believes that it has adequate financial resources to fund its capital and operating requirements. At 31 December 2014, the Company had an outstanding corporate guarantee for unlimited amount for total banking facilities of property installment loans of approximately HK$153.7 million (2013: HK$153.7 million), an outstanding corporate guarantee limited to approximately HK$17 million (2013: HK$17 million) for a banking facility of a property installment loan of approximately HK$17 million (2013: HK$17 million), and an outstanding corporate guarantee for unlimited amount for credit facilities of investment purpose of US$20 million; whereas, a subsidiary of the Group had an outstanding corporate guarantee for a maximum of RMB140 million (2013: RMB150 million) plus interest and fees for a banking facility of a working capital loan of RMB200 million (2013: RMB200 million) granted to the Group. The Group had outstanding bank borrowings at 31 December 2014 of approximately HK$911.2 million (2013: HK$797.2 million). At 31 December 2014, the bank borrowings and banking facilities of the Group were secured by (i) leasehold land and buildings of the

Group with a carrying amount of approximately HK$169.3 million (2013: HK$172.9 million), (ii) standby letters of credit issued by bank for an aggregate amount of US$59 million (2013: US$59 million), (iii) accounts receivable of approximately HK$284 million (2013: HK$60.5 million), (iv) deposits held with banks and financial institutions amounting to approximately HK$500.7 million (2013: HK$501.3 million) and (v) trading securities of approximately HK$298.5 million (2013: Nil).

The Group's total equity amounted to approximately HK$2,205.8 million at 31 December 2014 (2013: HK$1,456.2 million). At 31 December 2014, net current assets of the Group amounted to approximately HK$1,561 million (2013: HK$294.5 million), including approximately HK$907.9 million in cash and deposits with banks and financial institutions (2013: HK$841.1 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2014 was approximately 43.9% (2013: 38.9%).

Exposure to Exchange Rate Fluctuations

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 Assets

At 31 December 2014, the Group's leasehold land and buildings at net book value of approximately HK$169.3 million (2013: HK$172.9 million) were pledged to banks to secure the bank borrowings granted to the Group. At 31 December 2014, the Group's accounts receivable at outstanding balance of approximately HK$284 million (2013: HK$60.5 million) and bank deposits amounting to approximately HK$488.8 million (2013: HK$501.3 million) were pledged to secure bank borrowings and banking facilities granted to the Group. At 31 December 2014, the Group's cash deposits and trading securities at an aggregate carrying value of approximately HK$310.4 million (2013: Nil) were pledged to a financial institution to secure the credit facilities granted to the Group.

Contingent Liabilities

At 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

Staff

At 31 December 2014, the Group employed 499 full time employees (2013: 460). 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, medical insurance and regulated employees' social security program in China. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programs for staff are provided as and when required. The Group will further strengthen its team buildup, in order to offer enhanced services for China's lottery market.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including expenses)
		HK$	*HK$*	*HK$'000*
April 2014	49,800,000	0.58	0.52	27,514
December 2014	50,000,000	0.57	0.54	27,729
	99,800,000			55,243

Save as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

Closure of Register of Members

The proposed final dividend is subject to approval of shareholders at the Annual General Meeting to be held on Wednesday, 27 May 2015. For the purpose of determining shareholders who qualify for the final dividend, the Company's register of members will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 June 2015. Subject to the approval of shareholders of the Company at the Annual General Meeting, the dividend warrants will be despatched to shareholders, whose names appear on the Register of Members of the Company on Friday, 5 June 2015, on or about Monday, 6 July 2015.

Convertible Bonds

The Company had completed the issuance of the convertible bonds in the principal amount of HK$580 million on 17 April 2014 and additional convertible bonds in principal amount of HK$70 million under the Subscription Agreement on 2 May 2014, bringing the total issue size of the convertible bonds (the "Convertible Bonds") to HK$650 million in aggregate principal amount. The Convertible Bonds shall be convertible into the paid ordinary shares of HK$0.0025 each of the Company at an initial conversion price of HK$0.93 each (subject to adjustment pursuant to the terms of the Subscription Agreement). As at 31 December 2014, no Convertible Bonds had been exercised by holders of the Convertible Bonds or redeemed by the Company. The Convertible Bonds are currently listed on the Stock Exchange.

Issue of New Shares and Grant of Option under General Mandate

Pursuant to a subscription agreement dated 16 October 2014 entered into by the Company and Hongze Lake Investment Limited, being the subscriber and is a wholly owned subsidiary of Tencent Holdings Limited whose shares are listed on the Main Board of the Stock Exchange with stock code 700, on 4 November 2014, the Company has allotted and issued a total of 594,034,513 new shares of the Company at the subscription price of HK$0.75 per share to the subscriber, and granted an option to the subscriber to subscribe for a further 273,140,969 new shares of the Company at the option price of HK$0.83 per share subject to the terms of the option (both the number of shares and option price being subject to adjustments). For the year ended 31 December 2014, no option as abovementioned has been exercised by the subscriber.

Change of Address of Bermuda Share Registrar

With effect from 30 July 2014, the Company's Bermuda principal share registrar and transfer agent MUFG Fund Services (Bermuda) Limited has changed its address to The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

Change in Auditor

The practice of HLB Hodgson Impey Cheng, the former auditors of the Company, was reorganized as HLB Hodgson Impey Cheng Limited due to its internal corporate reorganization. HLB Hodgson Impey Cheng resigned as the auditors of the Group with effect from 27 January 2014 and HLB Hodgson Impey Cheng Limited has been appointed as the auditor of the Group with effect from 27 January 2014 to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng. The relevant resolution in relation to the re-appointment of HLB Hodgson Impey Cheng Limited has been approved at the annual general meeting of the Company on 27 May 2014.

Audit Committee

The Audit Committee of the Company currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The audited annual results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Corporate Governance

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") under Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except for the deviations as disclosed below:

Code provision A.1.1 stipulates that the Board should be held the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. The relevant Code provision had not been fully complied with as the Company did not announce its quarterly results and that two regular Board meetings were held during the year. Board meetings will be held on other occasions when Board decisions are required. The Chairperson of the Company, Ms. LAU Ting, currently also assumes the role of the Chief Executive Officer. Although the Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that given the nature of the Group's businesses which requires considerable market expertise, 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. Although some of the Non-Executive Directors of the Company are not appointed for a specific term as is stipulated in Code provision A.4.1, all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairperson or Managing Director, by rotation at least once every three years. The Chairperson is not subject to retirement by rotation as is stipulated in Code provision A.4.2 as the Board considers that the continuity of office of the Chairperson provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. Although the Code provision A.6.7 stipulates that independent non-executive directors should, inter alia, attend general meetings, due to personal and other important engagement at the relevant time, Mr. HUANG Shenglan was absent from the 2014 annual general meeting of the Company.

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

Required Standard of Dealing regarding Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2014.

On behalf of the Board
China LotSynergy Holdings Limited
LAU Ting
Chairperson

Hong Kong, 16 March 2015

As at the date of this announcement, the Board comprises Ms. LAU Ting, Mr. WU Jingwei, Ms. CHAN Tan Na, Donna and Mr. LI Zi Kui as Executive Directors; Mr. HOONG Cheong Thard as a Non-executive Director; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-executive Directors.

* *For identification purposes only*