



**China**  
**LotSynergy** 2006 Third Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 8161



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*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS (UNAUDITED)

The Directors of China LotSynergy Holdings Limited (the "Company") hereby present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2006, together with the comparative unaudited figures for the corresponding periods in 2005, as follows:–

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations:</b>					
Turnover	2	22,805	–	35,218	–
Staff costs	3	(10,332)	(11,717)	(26,463)	(13,669)
Depreciation of property, plant and equipment		(2,414)	(52)	(3,581)	(163)
Advertising and promotion expenses		–	(47)	(13)	(47)
General and administrative expenses		(6,745)	(5,237)	(15,778)	(8,313)
Operating profit/(loss) from continuing operations	4	3,314	(17,053)	(10,617)	(22,192)
Other revenues		2,500	879	12,335	889
Share of profit less loss of associates		(4,237)	–	(3,325)	–
Profit/(Loss) before income tax		1,577	(16,174)	(1,607)	(21,303)
Income tax	5	–	–	–	–
Profit/(Loss) for the period from continuing operations		1,577	(16,174)	(1,607)	(21,303)
<b>Discontinued operations:</b>					
Profit/(Loss) for the period from discontinued operations		–	(1)	(1,548)	(6,264)
Profit/(Loss) for the period		1,577	(16,175)	(3,155)	(27,567)
<b>Attributable to:</b>					
Equity holders of the Company		(8,337)	(16,096)	(17,371)	(26,874)
Minority interest		9,914	(79)	14,216	(693)
		1,577	(16,175)	(3,155)	(27,567)
<b>Loss per share for loss attributable to the equity holders of the Company during the period</b>					
Loss per share – Basic and diluted	6	<u>(0.47) HK Cent</u>	<u>(1.23) HK Cent</u>	<u>(1.02) HK Cent</u>	<u>(2.29) HK Cent</u>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and Chapter 18 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies and methods of computation used in the preparation of these results are consistent with those used in the preparation of the Group’s audited financial statements for the nine-month period ended 31 December 2005.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on these results.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains or Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option

The Group has not early adopted the following standards that have been issued but not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

## 2. Turnover and revenue from continuing operations

Revenue recognised during the periods are as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Income for provision of video lottery terminals ("VLT") pursuant to the VLT cooperation contract	19,188	–	29,633	–
Income for repair and maintenance of VLT pursuant to the VLT cooperation contract	4,797	–	7,408	–
Income for provision of consultancy services	19	–	29	–
Less: Business tax	(1,199)	–	(1,852)	–
	<u>22,805</u>	<u>–</u>	<u>35,218</u>	<u>–</u>
Other revenues				
Interest income from bank deposits	2,500	879	12,335	889
Total revenues	<u>25,305</u>	<u>879</u>	<u>47,553</u>	<u>889</u>

## 3. Staff costs

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
– salaries, bonus, allowances and benefits in kind	4,159	1,332	12,806	3,284
– expenses in relation to the grant of share options	6,173	10,385	13,657	10,385
	<u>10,332</u>	<u>11,717</u>	<u>26,463</u>	<u>13,669</u>

#### 4. Operating profit/(loss) from continuing operations

	Unaudited Three months ended 30 September 2006		Unaudited Nine months ended 30 September 2006	
	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000
Operating profit/(loss) from continuing operations is stated after charging:				
Depreciation of owned assets		2,414		3,581
Operating lease rentals in respect of land and buildings		616		1,728
Expenses in relation to the grant of share options to other participants		2,443		3,552
	1,577	1,577	1,577	1,577

#### 5. Income Tax

No provision for Hong Kong and overseas profits tax has been made as the Group had no assessable profit during the three months and nine months ended 30 September 2006 (2005: Nil and Nil).

#### 6. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 30 September 2006 is based on the respective unaudited consolidated loss attributable to equity holders of the Company of approximately HK\$8,337,000 and HK\$17,371,000 (2005: HK\$16,096,000 and HK\$26,874,000) and the respective weighted average number of approximately 1,772,582,000 and 1,703,598,277 ordinary shares in issue during the periods (2005: 1,307,500,000 and 1,171,289,644 ordinary shares). The computation of diluted loss per share has not assumed the exercise of options outstanding during the periods because the effect of any dilution is anti-dilutive.

#### 7. Share Capital

	Unaudited Authorised ordinary shares of HK\$0.01 each	
	Number of shares	HK\$'000
As at 1 January and 30 September 2005	2,000,000,000	20,000
Increase of authorised share capital (Note (i))	2,000,000,000	20,000
As at 30 September 2006	4,000,000,000	40,000

## 7. Share Capital (Cont'd)

	<b>Unaudited</b>	
	<b>Issued and fully paid</b>	
	<b>ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2005	1,000,000,000	10,000
New issue of shares under subscription agreements ( <i>Note (ii)</i> )	200,000,000	2,000
New issue of shares under the Subscription ( <i>Note (iii)</i> )	230,000,000	2,300
As at 30 September 2005	<u>1,430,000,000</u>	<u>14,300</u>
As at 1 January 2006	1,430,000,000	14,300
New issue of shares under share option scheme ( <i>Note(iv)</i> )	120,000	1
New issue of shares under the 2006 Subscription ( <i>Note (v)</i> )	180,000,000	1,800
New issue of Consideration Shares ( <i>Note (vi)</i> )	200,000,000	2,000
Repurchase of shares ( <i>Note (vii)</i> )	<u>(37,538,000)</u>	<u>(375)</u>
As at 30 September 2006	<u>1,772,582,000</u>	<u>17,726</u>

### Notes:

- (i) By an ordinary resolution passed at the special general meeting of the Company held on 21 March 2006, the Company's authorised ordinary share capital was increased to HK\$40,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.01 each (the "Shares").
- (ii) Pursuant to the two placing agreements dated 7 March 2005 entered with Centrix Investments Limited and Wealthmost Holdings Limited respectively (together, the "Placees"), the Company issued and allotted a total of 200,000,000 new Shares to the Placees on 8 April 2005 upon completion thereof at a placing price of HK\$0.026 per Share. Total net proceeds from the placing of approximately HK\$5 million was used as the Group's general working capital.

## 7. Share Capital (Cont'd)

- (iii) Pursuant to the subscription agreements dated 9 August 2005, the Company issued and allotted a total of 230,000,000 new Shares (the "Subscription Share(s)") at a subscription price of HK\$1.29 per Subscription Share to the subscribers on 19 August 2005 (the "Subscription"), following the completion of the placing agreements for the placing of 400,000,000 existing Shares to more than six places at a placing price of HK\$1.29 per Share (the "Top-up Placing"). The Company raised a sum of approximately HK\$271 million through the Top-up Placing and the fund was used: (i) as to approximately HK\$59 million to pay up the capital commitment of Tabcorp International Hong Kong Limited, and the remaining balance be used (ii) for investing in other relevant business opportunities that may arise in the future; and (iii) for the Company's general working capital.
- (iv) Share options were exercised by optionholders in January 2006 to subscribe for a total of 120,000 Shares in the Company 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 issued and allotted a total of 180,000,000 new Shares (the "2006 Subscription Share(s)") at a subscription price of HK\$3.675 per 2006 Subscription Share to the subscribers on 27 January 2006 (the "2006 Subscription"), following the completion of the placing agreements for the placing of 180,000,000 existing Shares to more than six places at a placing price of HK\$3.675 per Share (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 issued and allotted a total of 200,000,000 new Shares (the "Consideration Share(s)") at an issue price of 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 1,000,000 ordinary shares of US\$1.00 each in the share capital of Corich International Limited.
- (vii) The Company purchased 37,538,000 of its own Shares on the Stock Exchange in February and May 2006. The highest price and lowest price paid per Share were HK\$2.95 and HK\$0.87 respectively. The total consideration and expenses for the repurchase of Shares was approximately HK\$53,648,000 and has been deducted from shareholders' equity. The Shares repurchased were cancelled subsequently.



## 8. Reserves and accumulated losses

	Unaudited nine months ended 30 September 2005					
	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 January 2005	19,865	15,158	(281)	-	(8,421)	26,321
Loss for the period	-	-	-	-	(26,874)	(26,874)
Currency translation difference on financial statements of overseas subsidiaries	-	-	393	-	-	393
Share option scheme						
- value of employee services	-	-	-	10,385	-	10,385
- value of other participants' services	-	-	-	1,577	-	1,577
Issue of shares under subscription agreements	297,600	-	-	-	-	297,600
Share issue expenses	(26,146)	-	-	-	-	(26,146)
<b>As at 30 September 2005</b>	<b>291,319</b>	<b>15,158</b>	<b>112</b>	<b>11,962</b>	<b>(35,295)</b>	<b>283,256</b>

	Unaudited nine months ended 30 September 2006					
	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 January 2006	291,319	15,158	1	26,279	(58,505)	274,252
Loss for the period	-	-	-	-	(17,371)	(17,371)
Currency translation differences on financial statements of an overseas associate	-	-	(1,166)	-	-	(1,166)
Repurchase of shares	(53,273)	-	-	-	-	(53,273)
Share option scheme						
- value of employee services	-	-	-	13,657	-	13,657
- value of other participants' services	-	-	-	3,552	-	3,552
Vested share options lapsed	-	-	-	(347)	347	-
Issue of shares under share option scheme	401	-	-	(167)	-	234
Issue of shares under subscription agreements	659,700	-	-	-	-	659,700
Issue of consideration shares under a subscription agreement	478,000	-	-	-	-	478,000
Share issue expenses	(29,585)	-	-	-	-	(29,585)
<b>As at 30 September 2006</b>	<b>1,346,562</b>	<b>15,158</b>	<b>(1,165)</b>	<b>42,974</b>	<b>(75,529)</b>	<b>1,328,000</b>

## 9. Discontinued operations

The operation of the Group's metal trading related business was ceased on 1 June 2006. An analysis of the result of discontinued operations is as follows:

	Unaudited Three months ended 30 September 2006		Unaudited Nine months ended 30 September 2006	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	-	1,773	<b>7,335</b>	6,091
Cost of sales	-	(1,745)	<b>(7,229)</b>	(6,015)
Expenses	-	(29)	<b>(1,654)</b>	(6,340)
	-	(1)	<b>(1,548)</b>	(6,264)
Income tax	-	-	-	-
Loss for the period from discontinued operations	-	(1)	<b>(1,548)</b>	(6,264)

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

## BUSINESS REVIEW AND OUTLOOK

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.

### Business Review

During the period under review, the Group made smooth progress in its welfare lottery related businesses and recorded turnover (after business tax) of approximately HK\$22.8 million, representing an increase of approximately 84% over the previous quarter. Excluding the value of share options expensed, the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$280,000. During the period, the share of loss of an associate mainly represented the increase in the development costs for the KENO project and the pre-operating expenses during its start up period. As at 30 September 2006, the number of shares under the outstanding options granted under the share option scheme of the Company represented approximately 4.3% of the issued share capital of the Company.

For the quarter ended 30 September 2006, the Group's VLT (Video Lottery Terminal) business grew significantly and made contributions to the Group's profits. The number of connected VLT terminals increased from approximately 7,100 units at the end of June to approximately 8,900 units at the end of September, with daily average turnover per terminal (where the Group derives its sales based on a percentage share of the turnover) increased from approximately RMB1,570 at the end of June to approximately RMB1,805 at the end of September. Weekly nationwide VLT sales increased from approximately RMB78 million for the 26th week at the end of June to over RMB112 million for the 39th week at the end of September, representing an increase of 44% in three months. VLT has shown rapid growth potential in the China market and the Group is confident the growth trend will continue. The Group is currently working on the research and development of the second-generation VLT terminals and plans to launch the product to the market in 2007.

The KENO project, which is run by the joint venture company, Tabcorp International Hong Kong Limited ("TIHK"), formed between the Group and Tabcorp Holdings Limited in Australia, continued its trial run in CLO Halls (「中福在線」銷售大廳) across China. The KENO system is near the completion of its trial run phase following continuous localization modifications, operational testings and technological improvements made in the last six months. TIHK is currently working with China Welfare Lottery Issuance and Administration Centre and Beijing Lottery Online Technology Co., Ltd. on preparatory works for the nationwide rollout of KENO terminals, which includes market research, staff training and drawing up sales venue selection criteria. The nationwide rollout of KENO terminals in China is currently scheduled in the first half of 2007.

## Business Outlook

The Group is actively engaged in welfare-lottery-related-business and is optimistic about the prospect of the industry.

The China welfare lottery is a national business of public welfare nature. China's welfare lottery business is still under a development stage and is expected to grow significantly in the next few years. Since its inception in 1987, the business has become more regulated in terms of the types of lottery product issued, technology introduction and operation management. As China steps up its efforts in combating illegal gaming such as underground lottery and casinos, new opportunities in the high frequency and instant lottery market are being created. The Group is striving to capture opportunities in this tremendous market.

VLT game is a new type of lottery product in China, which appeals to higher-income players group and has become the new growth driver for the nation's welfare lottery sales. With the increasing number of CLO Halls, the potential increase in pay-out ratio and the introduction of new games, the market prospect for VLT game will become even more promising.

In recent years, the KENO game has been popular in countries in Europe, in the USA and Australia. KENO market share in certain countries has increased to 15-20% of total lottery sales. With the nationwide rollout of KENO terminals in China, coupled with the potential increase of pay-out ratio, the business prospect of this high frequency game in China will be immense.

2006 is the first year following the transformation of the Group's businesses to focus on welfare lottery operations in China. The Group has made the relevant investment to build up its infrastructure and will continue to dedicate its resources to developing lottery related business, with the aim to generate long term growing return to shareholders.

## APPOINTMENT OF DEPUTY CHAIRMAN, MANAGING DIRECTOR AND EXECUTIVE DIRECTOR

Mr. HOONG Cheong Thard was appointed as a Deputy Chairman, the Managing Director and an Executive Director of the Company on 12 September 2006.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO") in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

### (1) Interests in Shares

#### (A) The Company

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
LAU Ting	51,288,803	72,951,773 (Note 1)	407,404,308 (Note 2)	531,644,884 (Note 3)	29.99%
SUN Ho	3,070,000	30,000	-	3,100,000	0.17%
CHEN Aizheng	2,490,000	156,000	-	2,646,000	0.15%
NG Man Fai, Matthew	660,000	-	-	660,000	0.04%

*Notes:*

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 11,320,192 shares were held by Hang Sing Overseas Limited ("Hang Sing") which is owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 385,489,074 shares were held by Burwill Holdings Limited ("Burwill"), which is owned as to 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
3. As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.

*(B) Associated Corporation – Burwill Holdings Limited*

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests		
LAU Ting	21,776,072	13,035,472 (Note 1)	438,304,701 (Note 2)	473,116,245 (Note 3)	45.84%
SUN Ho	200,000	–	–	200,000	0.02%

*Notes:*

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 226,403,853 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 211,900,848 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing.
3. As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.

**(2) Interests in Underlying Shares of the Company**

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period from                      until		No. of ordinary shares under the options held as at 30/9/2006	Approximate percentage interest in the Company's issued share capital
LAU Ting	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.028%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.028%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%
SUN Ho	01/09/2005	1.96	31/10/2005	30/10/2007	6,900,000	0.389%
	01/09/2005	1.96	31/10/2006	30/10/2007	6,900,000	0.389%
	08/06/2006	1.22	08/06/2007	07/06/2011	950,000	0.054%
	08/06/2006	1.22	08/06/2008	07/06/2011	950,000	0.054%
	08/06/2006	1.22	08/06/2009	07/06/2011	950,000	0.054%
	08/06/2006	1.22	08/06/2010	07/06/2011	950,000	0.054%
HOONG Cheong Thard	30/06/2006	1.14	16/08/2007	29/06/2016	4,400,000	0.248%
	30/06/2006	1.14	16/08/2008	29/06/2016	4,400,000	0.248%
	30/06/2006	1.14	16/08/2009	29/06/2016	4,400,000	0.248%
	30/06/2006	1.14	16/08/2010	29/06/2016	4,400,000	0.248%
CHEN Aizheng	01/09/2005	1.96	31/10/2005	30/10/2007	4,500,000	0.254%
	01/09/2005	1.96	31/10/2006	30/10/2007	4,500,000	0.254%
	08/06/2006	1.22	08/06/2007	07/06/2011	2,000,000	0.113%
	08/06/2006	1.22	08/06/2008	07/06/2011	2,000,000	0.113%
	08/06/2006	1.22	08/06/2009	07/06/2011	2,000,000	0.113%
	08/06/2006	1.22	08/06/2010	07/06/2011	2,000,000	0.113%
NG Man Fai, Matthew	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of ordinary shares under the options held as at 30/9/2006	Approximate percentage interest in the Company's issued share capital
			from	until		
HUANG Shenglan	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.028%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.028%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%
CHAN Ming Fai	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%
LI Xiaojun	01/09/2005	1.96	31/10/2005	30/10/2007	250,000	0.014%
	01/09/2005	1.96	31/10/2006	30/10/2007	250,000	0.014%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%

Save as disclosed above, as at 30 September 2006, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2006, according to the register required to be kept by the Company under Section 336 of the SFO (the "Register"), the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

### (1) Interests in Shares of the Company

Name of shareholder	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
CHAN Shing	72,951,773	51,288,803 (Note 1)	407,404,308 (Note 2)	531,644,884 (Note 3)	29.99%
Burwill	–	–	385,489,074	385,489,074 (Notes 2, 4 & 10)	21.75%
LIM Loong Keng (Note 5)	–	–	186,000,000	186,000,000	10.49%
Toward Plan Investments Limited (Note 5)	–	–	186,000,000	186,000,000	10.49%
Legg Mason Inc (Note 6)	–	–	137,010,000	137,010,000	7.73%
YU Man Yiu, Park	50,188,500	–	70,000,860 (Note 7)	120,189,360	6.78%
Lloyds TSB Group Plc (Note 8)	–	–	117,204,000	117,204,000	6.61%
Prudential Plc (Note 9)	–	–	95,594,000	95,594,000	5.39%

*Notes:*

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing and a Director of the Company.
2. 11,320,192 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 385,489,074 shares were held by Burwill, which is owned as to 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
3. As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.
4. These shares formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting.
5. 186,000,000 shares were held by Toward Plan Investments Limited which is wholly-owned by Mr. LIM Loong Keng.
6. These shares were held by Legg Mason Asset Management (Asia) Pte Ltd, a company which is wholly-owned by LM International Holding LP ("LM International"). LM International is wholly-owned by Legg Mason International Holdings II, LLC, a company which is wholly-owned by Legg Mason Inc.
7. 860 shares were held by Good Talent Trading Limited which is owned as to 35% by Mr. YU Man Yiu, Park and 70,000,000 shares were held by Centrix Investments Limited, a company which is wholly-owned by Mr. YU Man Yiu, Park.
8. These shares were held by Scottish Widows Plc, a company which is wholly-owned by Lloyds TSB Group Plc.
9. These shares were held by Prudential Asset Management (Hong Kong) Limited, a company which is wholly-owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly-owned by Prudential Holdings Limited, a company which is wholly-owned by Prudential Plc.
10. The shares held by Burwill as disclosed herein represents the aggregate of (i) 383,831,074 shares as recorded in the Register and (ii) the acquisitions of additional 1,658,000 shares as notified and confirmed by Burwill.

**(2) Interests in Underlying Shares of the Company**

Name of Substantial Shareholder	Date of grant	Exercise price per share HK\$	Exercise period		No. of ordinary shares under the options of the Company held as at 30/9/2006	Approximate percentage interest in the Company's issued share capital
			from	until		
CHAN Shing	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.028%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.028%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	0.008%

Save as disclosed above, as at 30 September 2006, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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

During the nine months ended 30 September 2006, the Company repurchased a total of 37,538,000 shares in the Company on 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		Total consideration (before expense) HK\$
		Lowest HK\$	Highest 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 nine months ended 30 September 2006.

## COMPETING INTERESTS

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in 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 currently 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 unaudited consolidated results of the Group for the nine months ended 30 September 2006 have been reviewed by the Audit Committee.

On behalf of the Board  
**LAU Ting**  
Chairman

Hong Kong, 8 November 2006

*As at the date of this report, 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.*