



**China**  
**LotSynergy** 2007 First 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") are pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2007, together with the comparative unaudited figures for the corresponding period in 2006, as follows:-

		<b>Three months ended</b>	
		<b>31 March</b>	
	Notes	<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
			As restated
<b>Continuing operations:</b>			
Turnover	2	<b>43,728</b>	-
Cost of services	3	<b>(6,269)</b>	-
Gross profit		<b>37,459</b>	-
General and administrative expenses	4&5	<b>(17,748)</b>	(11,445)
Other income and gains		<b>2,458</b>	6,123
Operating profit/(loss) from continuing operations		<b>22,169</b>	(5,322)
Share of profit less loss of an associate		<b>(2,503)</b>	-
Profit/(Loss) before income tax		<b>19,666</b>	(5,322)
Income tax	6	-	-
Profit/(Loss) for the period from continuing operations		<b>19,666</b>	(5,322)
<b>Discontinued operations:</b>			
Profit for the period from discontinued operations		-	25
Profit/(Loss) for the period		<b>19,666</b>	(5,297)
<b>Attributable to:</b>			
Equity holders of the Company		<b>2,806</b>	(5,278)
Minority interests		<b>16,860</b>	(19)
		<b>19,666</b>	(5,297)
<b>Earnings/(Loss) per share for profit/(loss) from continuing operations attributable to the equity holders of the Company during the period</b>			
- basic	7	<b>0.16 HK cent</b>	(0.34) HK cent
- diluted	7	<b>0.16 HK cent</b>	N/A
<b>Earnings per share for profit from discontinued operations attributable to the equity holders of the Company during the period</b>			
- basic	7	<b>N/A</b>	Negligible
- diluted	7	<b>N/A</b>	Negligible

Notes:

## 1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards 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 year ended 31 December 2006.

The Group has adopted the standards, amendments and interpretations which are effective for the Group's accounting periods beginning on or after 1 January 2007. The adoption of these standards, amendments and interpretations does not have significant impact on the accounting policies of the Group.

## 2. Turnover from continuing operations

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 from continuing operations for the period is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Turnover		
Income from provision of lottery terminals	<b>43,709</b>	–
Income from provision of consultancy services	<b>19</b>	–
	<hr/>	<hr/>
	<b>43,728</b>	–
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**3. Cost of services**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Depreciation of lottery terminals	<b>2,981</b>	–
Business tax	<b>2,229</b>	–
Other cost of services	<b>1,059</b>	–
	<u><b>6,269</b></u>	<u>–</u>

**4. General and administrative expenses**

An analysis of the Group's general and administrative expenses for the period is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Staff costs	<b>11,191</b>	8,130
Amortisation of intangible assets and depreciation of property, plant and equipment	<b>1,850</b>	70
Other general and administrative expenses	<b>4,707</b>	3,245
	<u><b>17,748</b></u>	<u>11,445</u>

**5. Share option value**

An analysis of the Group's share option value included in general and administrative expenses for the period is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Share option value of employee services	<b>5,048</b>	3,271
Share option value of other participants' services	<b>519</b>	457
	<u><b>5,567</b></u>	<u>3,728</u>

## 6. 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 ended 31 March 2007 (2006: Nil).

## 7. Earnings/(Loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) for the period from continuing operations attributable to the equity holders of the Company	<b>2,806</b>	(5,303)
Profit for the period from discontinued operations attributable to the equity holders of the Company	-	25
	<u>2,806</u>	<u>(5,278)</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings/(loss) per share	<b>1,772,582,000</b>	1,558,080,000
Effect of dilutive potential ordinary shares:		
Share options	<b>21,150,519</b>	7,267,746
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<b><u>1,793,732,519</u></b>	<u>1,565,347,746</u>

The computation of diluted loss per share for the three months ended 31 March 2006 has not assumed the exercise of options outstanding during the period because their exercise would reduce the loss per share.

## 8. Share capital

	<b>Unaudited Authorised ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2006	2,000,000,000	20,000
Increase of authorised share capital (Note (i))	2,000,000,000	20,000
As at 31 March 2006, 1 January 2007 and 31 March 2007	<u>4,000,000,000</u>	<u>40,000</u>

	<b>Unaudited Issued and fully paid ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2006	1,430,000,000	14,300
Share options exercised (Note (ii))	120,000	1
New issue of shares (Note (iii))	180,000,000	1,800
Repurchase of shares (Note (iv))	(8,168,000)	(82)
As at 31 March 2006	<u>1,601,952,000</u>	<u>16,019</u>
As at 1 January 2007 and 31 March 2007	<u>1,772,582,000</u>	<u>17,726</u>

### 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) 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 approximately HK\$1,000 was credited to share capital and the balance of HK\$234,000 was credited to the share premium account.
- (iii) 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 the remaining amount was used as the Group's general working capital.
- (iv) The Company purchased 8,168,000 of its own Shares on the Stock Exchange in February 2006. The highest price and lowest price paid per Share were HK\$2.95 and HK\$2.475 respectively. The total amount paid for the repurchase of Shares was approximately HK\$23,610,000 and has been deducted from shareholders' equity. The Shares repurchased were cancelled subsequently.

## 9. Reserves and accumulated losses

	Unaudited three months ended 31 March 2006					
	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses 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	-	-	-	-	(5,278)	(5,278)
Repurchase of shares	(23,528)	-	-	-	-	(23,528)
Share option scheme						
– value of employee services	-	-	-	3,271	-	3,271
– value of other participants' services	-	-	-	457	-	457
Issue of shares under share option scheme	401	-	-	(167)	-	234
Issue of shares under subscription agreements	630,116	-	-	-	-	630,116
As at 31 March 2006	<u>898,308</u>	<u>15,158</u>	<u>1</u>	<u>29,840</u>	<u>(63,783)</u>	<u>879,524</u>

	Unaudited three months ended 31 March 2007					
	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2007	1,346,562	15,158	3,038	49,588	(87,346)	1,327,000
Profit for the period	-	-	-	-	2,806	2,806
Share option scheme						
– value of employee services	-	-	-	5,048	-	5,048
– value of other participants' services	-	-	-	519	-	519
– vested share options lapsed	-	-	-	(365)	365	-
Currency translation difference of an overseas associate	-	-	2,508	-	-	2,508
As at 31 March 2007	<u>1,346,562</u>	<u>15,158</u>	<u>5,546</u>	<u>54,790</u>	<u>(84,175)</u>	<u>1,337,881</u>



## 10. Discontinued operations

The Group ceased the operations of metal exchange portals for metal trading and ancillary value-chain services, metal trading, provision of consultancy and logistics services in 2006. An analysis of the results of the discontinued operations is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	–	3,599
Expenses	–	(3,574)
	<hr/>	<hr/>
Profit before income tax from discontinued operations	–	25
Income tax	–	–
	<hr/>	<hr/>
Profit for the period from discontinued operations	<u>–</u>	<u>25</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

## BUSINESS REVIEW AND OUTLOOK

For the first quarter of 2007, the Group's business in the public welfare lottery in China continued its healthy growth and turned profitable overall. During the period, the Group recorded a turnover of approximately HK\$43.7 million (2006 first quarter: Nil), representing a growth of 28% as compared with the fourth quarter of 2006. Profit attributable to equity holders of the Company in the first quarter amounted to approximately HK\$9.19 million, excluding the value of share options expensed and amortisation of intangible assets.

The Group's VLT (Video Lottery Terminal) business benefited from the expanding coverage of CLO halls across China and the rapid growth of VLT sales. For the first quarter of 2007, total sales of welfare lottery in China amounted to RMB13,712 million, representing an increase of approximately 26% as compared with the corresponding period last year. Despite a 8-day closure of CLO halls during the Chinese New Year public holiday period, VLT sales for the quarter amounted to RMB2,149 million, or 2.4 times more than that of the corresponding period last year; and the amount represented approximately 16% of total sales of welfare lottery for the quarter, a significant increase from approximately 9% recorded for the entire year in 2006. As at the end of March 2007, there were approximately 13,032 connected VLTs operating in 539 CLO halls throughout the country. Weekly national VLT sales increased from RMB163 million in the last week of 2006 to over RMB200 million as at the end of March 2007, with average daily sales per connected VLT increased to RMB2,193.

The Group's research and development centre led and completed the research and development work on the second-generation VLT. This new product is now at the final technical testing and trial run stage and is expected to be launched on a nationwide basis in the second half of 2007.

A system and capacity upgrade on VLT operations was completed in April 2007, further ensuring a more stable and secure operating environment. VLT, where unique high-frequency online lottery games are offered, has entered into a phase of rapid growth.

Tabcorp International Hong Kong Limited ("TIHK"), a joint venture between the Group and Tabcorp Holdings Limited, is currently working with China Welfare Lottery Issuance Center in finalising the implementation plan for the nationwide roll out of KENO in leisure, entertainment centres and commercial outlets. The national roll out of KENO terminals is expected to commence after mid-2007.

The joint venture between the Group and Octavian International Limited is currently exploring opportunities in equipment and technical support in the lottery and gaming segment in the Asian market.

The Group is committed to exploring new business potential. On 1 May 2007, the Group and International Game Technology (NYSE: IGT), one of the global leaders in gaming technology, entered into a subscription agreement and a technical cooperation agreement. Pursuant to these agreements, a strategic alliance is formed between the parties, through which the Group will be able to obtain advanced international gaming technologies and systems, as well as operation and management expertise, to facilitate expansion of its business in the lottery market in China.

Welfare lottery is a fast growing national business directed by the PRC authorities with the mission to provide welfare support to the elderly, the handicapped, the orphans and those in poverty. The Group believes that there are significant growth opportunities in China's welfare lottery business, under the strict supervision and regulation of the Ministry of Finance and Ministry of Civil Affairs.

The Group will continue to focus on its existing lottery business and is optimistic about its future development. The Group believes 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. 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.

### **CHANGE OF CHIEF EXECUTIVE OFFICER**

Mr. SUN Ho resigned from the position of the Chief Executive Officer of the Company on 14 March 2007 and remains as a Deputy Chairman and an Executive Director of the Company, and Mr. HOONG Cheong Thard, the Deputy Chairman and Managing Director of the Company, was appointed as the Deputy Chairman and Chief Executive Officer with effect from 14 March 2007.

### **CHANGE IN REMUNERATION COMMITTEE**

With effect from 14 March 2007, the Remuneration Committee of the Company comprised Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. HOONG Cheong Thard.

### **REDUCTION OF SHARE PREMIUM**

At the annual general meeting of the Company held on 24 April 2007, a special resolution approving the reduction of share premium account of the Company by approximately HK\$87,346,000 from approximately HK\$1,346,562,000 to approximately HK\$1,259,216,000, and the application of such sum to eliminate the accumulated losses of the Company of approximately HK\$87,346,000 as at 31 December 2006 (the "Share Premium Reduction"), was passed by the shareholders and the Share Premium Reduction took effect on 24 April 2007 accordingly.

## SUBSCRIPTION AGREEMENT AND TECHNICAL COOPERATION AGREEMENT

On 1 May 2007, the Company and International Game Technology (NYSE: IGT) (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), whereby the Company agreed to allot and issue to the Subscriber and the Subscriber agreed to subscribe for (i) 93,400,000 new Shares of the Company at the subscription price of HK\$2.7 each (the "Subscription Shares"), at a consideration of HK\$252,180,000; and (ii) an unsecured 8-year maturity zero coupon convertible note with a principal amount of HK\$550,000,000 (the "Convertible Note"). Based on the initial conversion price of HK\$3.82 per Share (subject to adjustment) and assuming full conversion of the Convertible Note, the Convertible Note will be convertible into approximately 143,979,000 Shares (the "Conversion Shares"). The Subscription Shares and the Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 24 April 2007.

On 1 May 2007, the Company and IGT, a wholly-owned subsidiary of the Subscriber, also entered into a technical cooperation agreement in relation to technical support, assistance and consultation services (the "Technical Cooperation Agreement"). Under the Technical Cooperation Agreement, IGT will provide certain technical services to the Group in respect of its existing business.

The estimated net proceeds of the Subscription Shares and the Convertible Note after deduction of the relevant expenses and commission are approximately HK\$786,000,000, which will be used for financing business expansion, potential investment opportunities and general working capital.

Completion of the Subscription Agreement, subject to the satisfaction of various conditions precedent, shall take place on 31 May 2007 or such other date as the parties may agree in writing, and the Technical Cooperation Agreement will only come into effect upon completion of the Subscription Agreement.

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

As at 31 March 2007, 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				Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
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:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 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.
- 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 Company's issued share capital of Burwill
	Personal interests	Family interests	Corporate interests		
LAU Ting	21,776,072	29,331,472 (Note 1)	438,304,701 (Note 2)	489,412,245 (Note 3)	47.42%
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		No. of ordinary shares under the options held as at 31/3/2007	Approximate percentage interest in the Company's issued share capital
			from	until		
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%

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 31/3/2007	Approximate percentage interest in the Company's issued share capital
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%
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%

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 31/3/2007	Approximate percentage interest in the Company's issued share capital
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 31 March 2007, 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 31 March 2007, 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 <i>(Note 1)</i>	407,404,308 <i>(Note 2)</i>	531,644,884 <i>(Note 3)</i>	29.99%
Burwill	-	-	385,489,074	385,489,074 <i>(Notes 2, 4 &amp; 10)</i>	21.75%
LIM Loong Keng <i>(Note 5)</i>	-	-	186,000,000	186,000,000	10.49%
Toward Plan Investments Limited <i>(Note 5)</i>	-	-	186,000,000	186,000,000	10.49%
Legg Mason Inc <i>(Note 6)</i>	-	-	137,010,000	137,010,000	7.73%
Lloyds TSB Group Plc <i>(Note 7)</i>	-	-	124,144,100	124,144,100	7.00%
YU Man Yiu, Park	50,188,500	-	70,000,860 <i>(Note 8)</i>	120,189,360	6.78%
Atlantis Investment Management Limited	-	-	92,000,000	92,000,000	5.19%
Ward Ferry Management (BVI) Limited <i>(Note 9)</i>	-	-	88,950,000	88,950,000	5.02%

*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. As the interests held by Toward Plan Investments Limited are deemed to be the interests of Mr. LIM, the figures referred to the same shares.
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. These shares were held by Scottish Widows Plc, a company which is wholly-owned by Lloyds TSB Group Plc.
8. 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.
9. 33,248,000 shares were held by WF Asia Fund Limited, 3,262,000 shares were held by Arrow WF Asia Fund, 30,878,000 shares were held by WF Japan Fund Limited and 21,562,000 shares were held by WF Asian Reconnaissance Fund Limited. Ward Ferry Management (BVI) Limited is the investment manager of these funds or companies.
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 from                      until		No. of ordinary shares under the options of the Company held as at 31/3/2007	Approximate percentage interest in the Company's issued share capital
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 31 March 2007, 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**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2007.

**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 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 for the three months ended 31 March 2007 have been reviewed by the Audit Committee.

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

Hong Kong, 10 May 2007

*As at the date of this report, the Board 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.*