



China
LotSynergy 2007 Interim 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.

INTERIM FINANCIAL STATEMENTS

The Directors of China LotSynergy Holdings Limited (the “Company”) are pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2007, together with the comparative unaudited figures for the corresponding periods in 2006, as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000 As restated	2007 HK\$'000	2006 HK\$'000 As restated
Continuing operations:					
Turnover	3	58,995	13,066	102,723	13,066
Cost of services	4	(7,715)	(2,388)	(13,984)	(2,388)
Gross profit		51,280	10,678	88,739	10,678
General and administrative expenses		(14,110)	(8,299)	(26,291)	(16,016)
Other income and gains		5,611	3,712	8,069	9,835
Finance costs	5	(2,047)	-	(2,047)	-
Share options value		(5,265)	(4,865)	(10,832)	(8,593)
Operating profit/(loss) from continuing operations	6	35,469	1,226	57,638	(4,096)
Share of profit less loss of associates		(4,006)	912	(6,509)	912
Profit/(Loss) before income tax		31,463	2,138	51,129	(3,184)
Income tax	7	37	-	37	-
Profit/(Loss) for the period from continuing operations		31,500	2,138	51,166	(3,184)
Discontinued operations:					
Loss for the period from discontinued operations		-	(1,573)	-	(1,548)
Profit/(Loss) for the period		31,500	565	51,166	(4,732)
Attributable to:					
Equity holders of the Company		8,193	(3,756)	10,999	(9,034)
Minority interests		23,307	4,321	40,167	4,302
		31,500	565	51,166	(4,732)
Earnings/(Loss) per share for profit/(loss) from continuing operations attributable to the equity holders of the Company during the period					
- basic and diluted	8	0.45 HK Cent	(0.12) HK Cent	0.62 HK Cent	(0.45) HK Cent
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the period					
- basic and diluted	8	N/A	(0.09) HK Cent	N/A	(0.09) HK Cent

Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2007 <i>HK\$'000</i>	Audited As at 31 December 2006 <i>HK\$'000</i>
	Notes		
Non-current assets			
Intangible assets		987,542	990,805
Property, plant and equipment		86,784	63,491
Investment in an associate	9	52,103	54,016
Total non-current assets		<u>1,126,429</u>	<u>1,108,312</u>
Current assets			
Financial assets at fair value through profit and loss	10	123,998	–
Accounts receivable	11	41,879	24,138
Prepayments, deposits and other receivable		14,995	16,109
Amounts due from related companies		20,231	21,250
Deposit with a financial institution		16,175	16,175
Cash and bank balances		1,115,994	310,620
Total current assets		<u>1,333,272</u>	<u>388,292</u>
Total assets		<u>2,459,701</u>	<u>1,496,604</u>
Current liabilities			
Financial liability at fair value through profit and loss	12	75,930	–
Accounts payable	13	8,711	2,680
Accruals and other payables		19,286	9,042
Amount due to an associate		29,605	29,637
Amounts due to related companies		10,498	9,080
Amount due to a director		345	347
Income tax payable		682	682
Total current liabilities		<u>145,057</u>	<u>51,468</u>
Net current assets		<u>1,188,215</u>	<u>336,824</u>
Total assets less current liabilities		<u>2,314,644</u>	<u>1,445,136</u>
Non-current liabilities			
Deferred income tax liabilities		14,125	9,400
Convertible note	14	524,837	–
		<u>538,962</u>	<u>9,400</u>
Net assets		<u>1,775,682</u>	<u>1,435,736</u>
Capital and reserves			
Share capital	15	18,678	17,726
Reserves	17	1,612,235	1,414,346
Retained profit/(Accumulated losses)		11,364	(87,346)
Capital and reserves attributable to equity holders of the Company		<u>1,642,277</u>	<u>1,344,726</u>
Minority interests		<u>133,405</u>	<u>91,010</u>
Total equity		<u>1,775,682</u>	<u>1,435,736</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2006				
	Attributable to equity holders of the Company				
	Share Capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2006	14,300	332,757	(58,505)	16,562	305,114
Currency translation differences	-	(1,883)	-	-	(1,883)
Net income recognised directly in equity	-	(1,883)	-	-	(1,883)
Loss for the period	-	-	(9,034)	4,302	(4,732)
Total recognised income/ (expenses) for the period	-	(1,883)	(9,034)	4,302	(6,615)
Repurchase of shares	(375)	(53,273)	-	-	(53,648)
Share option scheme:					
- value of employee services	-	7,484	-	-	7,484
- value of other participants services	-	1,109	-	-	1,109
- issue of shares under share option scheme	1	234	-	-	235
Issue of shares under subscription agreements	1,800	659,700	-	-	661,500
Issue of shares arising on business combination	2,000	478,000	-	-	480,000
Share issue expenses	-	(29,585)	-	-	(29,585)
Minority interests arising on business combination	-	-	-	20,102	20,102
	<u>3,426</u>	<u>1,063,669</u>	<u>-</u>	<u>20,102</u>	<u>1,087,197</u>
Balance as at 30 June 2006	<u>17,726</u>	<u>1,394,543</u>	<u>(67,539)</u>	<u>40,966</u>	<u>1,385,696</u>

Condensed Consolidated Statement of Changes in Equity (Cont'd)

	Unaudited six months ended 30 June 2007				
	Attributable to equity holders of the Company				
	Share Capital HK\$'000	Reserves HK\$'000	Retained profit/ (Accumulated losses) HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance as at 1 January 2007	17,726	1,414,346	(87,346)	91,010	1,435,736
Currency translation difference	-	6,878	-	2,228	9,106
Net income recognised directly in equity	-	6,878	-	2,228	9,106
Profit for the period	-	-	10,999	40,167	51,166
Total recognised income for the period	-	6,878	10,999	42,395	60,272
Share option scheme:					
- value of employee services	-	9,887	-	-	9,887
- value of other participants services	-	945	-	-	945
- issue of shares under share option scheme	18	2,918	-	-	2,936
- vested share options lapsed	-	(365)	365	-	-
Issue of shares under subscription agreement	934	251,246	-	-	252,180
Share issue expenses	-	(6,354)	-	-	(6,354)
Equity component arising on issue of convertible note	-	24,842	-	-	24,842
Deferred tax arising on issue of convertible note	-	(4,762)	-	-	(4,762)
Reduction of share premium to offset against accumulated loss	-	(87,346)	87,346	-	-
	952	191,011	87,711	-	279,674
Balance as at 30 June 2007	18,678	1,612,235	11,364	133,405	1,775,682

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 June	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	64,223	(12,724)
Net cash used in investing activities	(63,834)	(525,085)
Net cash generated from financing activities	803,686	578,502
	<hr/>	<hr/>
Net increase in cash and cash equivalents	804,075	40,693
Effect of foreign exchange rate changes	1,299	–
Cash and cash equivalents, beginning of period	310,620	242,657
	<hr/>	<hr/>
Cash and cash equivalents, end of period	<u>1,115,994</u>	<u>283,350</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>1,115,994</u>	<u>283,350</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, 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 unaudited condensed consolidated financial statements 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 following standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2007. The adoption of such standards, amendment and interpretations did not have material effect on these financial statements.

HKAS 1 (Amendment)	Capital disclosure
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

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

HKFRS 8	Operating segments
HK(IFRIC) – Int 12	Service Concession Arrangements

2. Segment information

For the six months ended 30 June 2007 and 2006, over 90% of the Group’s revenue were derived from the Group’s continuing operations representing investment, project development and the provision of technologies, equipment and consultancy services in public welfare lottery business and related sectors. Accordingly, no business segment information is presented.

For the six months ended 30 June 2007 and 2006, over 90% of the Group’s revenue were derived from customers based in the People’s Republic of China. Accordingly, no geographical segment information is presented.

3. Turnover from continuing operations

The Group is principally engaged in investment, project development and the provision of technologies, equipment and consultancy services in public welfare lottery business and related sectors. An analysis of the Group's turnover from continuing operations for the periods are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000 As restated	2007 HK\$'000	2006 HK\$'000 As restated
Turnover				
Income from provision of lottery terminals	58,981	13,056	102,690	13,056
Income from provision of consultancy services	14	10	33	10
	<u>58,995</u>	<u>13,066</u>	<u>102,723</u>	<u>13,066</u>

4. Cost of services

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Depreciation of lottery terminals	3,544	926	6,525	926
Business tax	3,060	653	5,289	653
Other cost of services	1,111	809	2,170	809
	<u>7,715</u>	<u>2,388</u>	<u>13,984</u>	<u>2,388</u>

5. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on convertible note	<u>2,047</u>	–	<u>2,047</u>	–

Interest on the convertible note is calculated using effective interest method by applying the effective interest rate of 4.7% per annum.

6. Operating profit/(loss) from continuing operations

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000 As restated	2007 HK\$'000	2006 HK\$'000 As restated
Operating profit/(loss) from continuing operations is stated after charging:				
Staff costs (excluding share options value)	6,134	3,788	12,277	8,647
Amortisation of intangible assets	1,632	-	3,264	-
Depreciation of property, plant and equipment	249	171	467	241
Operating lease rentals in respect of land and buildings	935	638	1,487	1,112
	<u>935</u>	<u>638</u>	<u>1,487</u>	<u>1,112</u>

7. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deferred income tax	(37)	-	(37)	-
	<u>(37)</u>	<u>-</u>	<u>(37)</u>	<u>-</u>

No provision for Hong Kong and overseas profits tax has been made as the Group had no assessable profit during the three months and six months ended 30 June 2007 (2006: Nil and Nil).

8. Earnings/(Loss) per share

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit/(Loss) for the period from continuing operations attributable to the equity holders of the Company for the purpose of calculating basic earnings/(loss) per share	8,193	(2,183)	10,999	(7,486)
After tax effect of effective interest on liability component of convertible note	2,010	-	2,010	-
Profit/(Loss) for the period from continuing operations attributable to the equity holders of the Company for the purpose of calculating diluted earnings/(loss) per share	<u>10,203</u>	<u>(2,183)</u>	<u>13,009</u>	<u>(7,486)</u>
Loss for the period from discontinued operations attributable to the equity holders of the Company for the purpose of calculating basic loss per share	<u>-</u>	<u>(1,573)</u>	<u>-</u>	<u>(1,548)</u>
Number of shares:				
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings/(loss) per share	1,804,164,778	1,784,452,756	1,788,373,389	1,668,534,652
Effect of dilutive potential ordinary shares:				
- Convertible note	47,993,000	-	23,996,500	-
- Share options	37,381,512	7,267,746	30,445,029	1,416,052
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u>1,889,539,290</u>	<u>1,791,720,502</u>	<u>1,842,814,918</u>	<u>1,669,950,704</u>

The computation of diluted earnings/(loss) per share for the three months and six months ended 30 June 2007 and 2006 has not assumed the conversion of convertible note and exercise of share options during the periods because their conversion and exercise would either increase the earnings per share or reduce the loss per share.

9. Investment in an associate

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 <i>HK\$'000</i>
Share of net assets	52,103	54,016

Particulars of the associate of the Group are as follows:

Name of company	Particular of issued shares held by the Group	Place of incorporation	Interest held	Principal activities
Tabcorp International Hong Kong Limited	9,900,000 ordinary shares of A\$1 each	British Virgin Islands	33%	Development of nationwide unified platform for lottery operation in the PRC

10. Financial assets at fair value through profit or loss

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 <i>HK\$'000</i>
Listed equity securities at fair value issued by corporate entities		
– Hong Kong	35,880	–
– Overseas	–	–
Market value of listed equity securities	35,880	–
Early redemption option embedded in convertible note at fair value	82,286	–
Unlisted derivative financial assets at fair value	5,832	–
	123,998	–

11. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
0 – 30 days	20,999	14,893
31 – 60 days	20,880	9,245
	<u>41,879</u>	<u>24,138</u>

12. Financial liability at fair value through profit or loss

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Redemption option held by a noteholder embedded in convertible note at fair value	<u>75,930</u>	<u>–</u>

13. Accounts payable

Ageing analysis of accounts payable is as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
0 – 30 days	4,775	646
31 – 60 days	771	631
Over 60 days	3,165	1,403
	<u>8,711</u>	<u>2,680</u>

14. Convertible note

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Principal amount of convertible note issued (net of issue costs)	541,276	–
Early redemption option held by the Company (net of issue costs)	82,286	–
Redemption option held by a noteholder (net of issue costs)	(75,930)	–
Equity component (net of issue costs)	(24,842)	–
	<hr/>	<hr/>
Liability component on initial recognition (net of issue costs)	522,790	–
Accrued interest capitalised during the period	2,047	–
	<hr/>	<hr/>
Liability component	524,837	–
	<hr/> <hr/>	<hr/> <hr/>

The unsecured 8-year maturity zero coupon convertible note was issued on 31 May 2007 by the Company, at a principal amount of HK\$550,000,000. The note is convertible into ordinary shares of HK\$0.01 each of the Company at an initial conversion price of HK\$3.82 per ordinary share (subject to adjustment) on any business day during the period on and after 31 May 2010 up to 16 May 2015. The note is redeemable by the Company on or at any time after 31 May 2012 and prior to 31 May 2015 at gross yield of 4% per annum to the noteholder, calculated on a semi-annual basis. Moreover, the noteholder has the right to redeem all or some of the note held by her on 31 May 2012 at 121.89944% of the principal amount. Unless previously redeemed and converted, the note will be redeemed on the maturity date on 31 May 2015 at 137.27857% of the principal amount.

The convertible note contains four components comprising an early redemption option held by the Company, redemption option held by the noteholder, financial liability and equity conversion option elements. The fair value of the four components at initial recognition was based on independent professional valuation. The financial liability is unsecured and stated at amortised cost with an effective interest rate of 4.7% per annum. The equity element of the convertible note is included in reserves as "convertible note equity reserve".

15. Share capital

	Unaudited authorised ordinary shares of HK\$0.01 each	
	Number of shares	HK\$'000
As at 1 January 2006	2,000,000,000	20,000
Increase of authorised share capital (<i>Note (i)</i>)	2,000,000,000	20,000
	<u>4,000,000,000</u>	<u>40,000</u>
As at 30 June 2006, 1 January 2007 and 30 June 2007	<u>4,000,000,000</u>	<u>40,000</u>
	Unaudited issued and fully paid ordinary shares of HK\$0.01 each	
	Number of shares	HK\$'000
As at 1 January 2006	1,430,000,000	14,300
Share options exercised (<i>Note(ii)</i>)	120,000	1
New issue of Shares (<i>Note (iii)</i>)	180,000,000	1,800
New issue of consideration Shares (<i>Note (iv)</i>)	200,000,000	2,000
Repurchase of Shares (<i>Note (v)</i>)	(37,538,000)	(375)
	<u>1,772,582,000</u>	<u>17,726</u>
As at 30 June 2006	<u>1,772,582,000</u>	<u>17,726</u>
As at 1 January 2007	1,772,582,000	17,726
Share options exercised (<i>Note(vi)</i>)	1,800,000	18
New issue of Shares (<i>Note (vii)</i>)	93,400,000	934
	<u>1,867,782,000</u>	<u>18,678</u>
As at 30 June 2007	<u>1,867,782,000</u>	<u>18,678</u>

15. Share capital (Cont'd)

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 approximately 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) Pursuant to the subscription agreement dated 9 January 2006, the Company issued and allotted a total of 200,000,000 new consideration Shares at an issue price of HK\$2.40 per Share to Toward Plan Investments Limited and Win Key Development Limited on 28 April 2006 as payment of part of the consideration for the subscription of interest in Corich International Limited.
- (v) 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 amount paid for the repurchase of Shares was approximately HK\$53,648,000 and has been deducted from shareholders' equity. The Shares repurchased were cancelled subsequently.
- (vi) Share options were exercised by optionholders in April and June 2007 to subscribe for a total of 1,800,000 Shares by payment of subscription monies of approximately HK\$2,936,000, of which approximately HK\$18,000 was credited to share capital and the balance of approximately HK\$2,918,000 was credited to the share premium account.
- (vii) Pursuant to the subscription agreement dated 1 May 2007, the Company issued and allotted a total of 93,400,000 new Shares at an issue price of HK\$2.70 per Share to International Game Technology on 31 May 2007.

16. Share option scheme

Details of the share options granted under the share option scheme of the Company and the share options outstanding as at 30 June 2007 were as follows:

Date of grant	Exercise price HK\$	Exercisable period	As at 01/01/2007	Number of Shares under the options			As at 30/06/2007
				Granted	Lapsed	Exercised	
01/09/2005	1.96	31/10/2005 – 30/10/2007	15,180,000	-	(150,000)	(500,000)	14,530,000
01/09/2005	1.96	31/10/2006 – 30/10/2007	15,300,000	-	(150,000)	(500,000)	14,650,000
15/12/2005	2.70	15/12/2006 – 14/12/2008	1,500,000	-	-	-	1,500,000
08/06/2006	1.22	08/06/2007 – 07/06/2011	6,700,000	-	-	(800,000)	5,900,000
08/06/2006	1.22	08/06/2008 – 07/06/2011	6,700,000	-	(100,000)	-	6,600,000
08/06/2006	1.22	08/06/2009 – 07/06/2011	6,700,000	-	(100,000)	-	6,600,000
08/06/2006	1.22	08/06/2010 – 07/06/2011	6,700,000	-	(100,000)	-	6,600,000
30/06/2006	1.14	16/08/2007 – 29/06/2016	4,400,000	-	-	-	4,400,000
30/06/2006	1.14	16/08/2008 – 29/06/2016	4,400,000	-	-	-	4,400,000
30/06/2006	1.14	16/08/2009 – 29/06/2016	4,400,000	-	-	-	4,400,000
30/06/2006	1.14	16/08/2010 – 29/06/2016	4,400,000	-	-	-	4,400,000
11/01/2007	1.78	01/01/2008 – 31/12/2011	-	500,000	-	-	500,000
11/01/2007	1.78	01/01/2009 – 31/12/2011	-	500,000	-	-	500,000
11/01/2007	1.78	01/01/2010 – 31/12/2011	-	500,000	-	-	500,000
11/01/2007	1.78	01/01/2011 – 31/12/2011	-	500,000	-	-	500,000
11/05/2007	3.10	02/05/2008 – 01/05/2014	-	450,000	-	-	450,000
11/05/2007	3.10	02/05/2009 – 01/05/2014	-	450,000	-	-	450,000
11/05/2007	3.10	02/05/2010 – 01/05/2014	-	450,000	-	-	450,000
11/05/2007	3.10	02/05/2011 – 01/05/2014	-	450,000	-	-	450,000
11/05/2007	3.10	02/05/2012 – 01/05/2014	-	450,000	-	-	450,000
11/05/2007	3.10	02/05/2013 – 01/05/2014	-	750,000	-	-	750,000
			<u>76,380,000</u>	<u>5,000,000</u>	<u>(600,000)</u>	<u>(1,800,000)</u>	<u>78,980,000</u>

16. Share option scheme (Cont'd)

The vesting period of the options is from the date of the grant until the commencement of the exercisable period. The fair value of the options granted as at the date of grant was estimated using the Black-Scholes options pricing model with the following assumptions:

- (i) Risk-free interest rate – the yield of three years Exchange Fund Notes;
- (ii) Expected volatility of share price – annualised volatility for one year immediately preceding the date of grant. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome;
- (iii) Expected life of share options – one to nine years; and
- (iv) No other feature of the options granted was incorporated into the measurement of fair value.

According to Black-Scholes options pricing model, the fair value of the options granted during the six months ended 30 June 2007 was approximately HK\$8,067,000 (2006: HK\$39,654,000), of which the Group recognised a share option expense of HK\$947,000 (2006: HK\$1,008,000) for the six months ended 30 June 2007.

As at 30 June 2007, the Company had outstanding options for 78,980,000 Shares granted under the share option scheme of the Company. The exercise in full of the remaining options would, under the capital structure of the Company as at 30 June 2007, result in the issue of 78,980,000 additional Shares of the Company and additional share capital of HK\$789,800 and share premium of approximately HK\$210,807,000 (before issue expenses).

Subsequent to the balance sheet date, options for a total of 3,200,000 Shares were granted to employees of the Company with an exercise price of HK\$3.90 per Share and the share price of the Company at the date of grant was HK\$3.90.

17. Reserves

	Unaudited six months ended 30 June 2006				Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	
Balance as at 1 January 2006	291,319	15,158	1	26,279	332,757
Currency translation differences of an overseas associate	-	-	(1,883)	-	(1,883)
Repurchase of Shares	(53,273)	-	-	-	(53,273)
Share option scheme:					
- value of employee services	-	-	-	7,484	7,484
- value of other participants' services	-	-	-	1,109	1,109
- 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)
	<u>1,346,562</u>	<u>15,158</u>	<u>(1,882)</u>	<u>34,705</u>	<u>1,394,543</u>

17. Reserves (Cont'd)

	Unaudited six months ended 30 June 2007					Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Convertible note equity reserve HK\$'000	
Balance as at 1 January 2007	1,346,562	15,158	3,038	49,588	-	1,414,346
Currency translation differences of overseas subsidiaries	-	-	6,878	-	-	6,878
Share option scheme:						
- value of employee services	-	-	-	9,887	-	9,887
- value of other participants' services	-	-	-	945	-	945
- issue of Shares under share option scheme	4,909	-	-	(1,991)	-	2,918
- vested share options lapsed	-	-	-	(365)	-	(365)
Issue of Shares under subscription agreement	251,246	-	-	-	-	251,246
Share issue expenses	(6,354)	-	-	-	-	(6,354)
Equity component arising on issue of convertible note	-	-	-	-	24,842	24,842
Deferred tax arising on issue of convertible note	-	-	-	-	(4,762)	(4,762)
Reduction of share premium to offset against accumulated loss	(87,346)	-	-	-	-	(87,346)
Balance as at 30 June 2007	<u>1,509,017</u>	<u>15,158</u>	<u>9,916</u>	<u>58,064</u>	<u>20,080</u>	<u>1,612,235</u>

18. 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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	-	3,736	-	7,335
Expenses	-	(5,309)	-	(8,883)
Loss before income tax after discontinued operations	-	(1,573)	-	(1,548)
Income tax	-	-	-	-
Loss for the period from discontinued operations	-	(1,573)	-	(1,548)

The net cash flows attributable to the discontinued operations are as follow:

	Unaudited Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash generated from operating activities	-	106
	-	106

19. Operating lease commitments

As at 30 June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of rented premises as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Not later than one year	544	4
Later than one year and not later than five years	2,153	5,318
	<u>2,697</u>	<u>5,322</u>

20. Related party transactions

Nature of transactions	Unaudited Six months ended 30 June 2007 HK\$'000	2006 HK\$'000
Sale of domain names, trademarks and software applications to a subsidiary of a substantial shareholder of the Company	-	100
Income from provision of consultancy services to an associate	33	10

21. Post balance sheet event

Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 6 August 2007, each of the existing issued and unissued shares of HK\$0.01 each in the share capital of the Company is subdivided into 4 subdivided shares of HK\$0.0025 each. The share subdivision became effective on 7 August 2007 and with effect from 21 August 2007, the subdivided shares will be traded in board lots of 4,000 subdivided shares.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group's business in the manufacturing and provision of VLTs (Video Lottery Terminals) continue to benefit from the expanding coverage of CLO halls across China. Total VLT sales in the first half of the year amounted to RMB5,040 million, which exceeded the total sales of last year. The amount also represented 3.2 times of VLT sales for the corresponding period last year and accounted for approximately 17.1% of the total national welfare lottery sales in the first half of 2007. VLT sales in the second quarter amounted to RMB2,893 million, representing an increase of 34.6% over that of the first quarter. As at the end of June 2007, there were over 15,800 connected VLTs operating in 665 CLO halls throughout the country. Weekly national VLT sales increased from RMB200 million in the last week of March 2007 to RMB242 million in the last week of June 2007 with average daily sales per connected VLT of RMB2,180. VLT, a unique welfare lottery game, continued to gather growth momentum in the market.

The second generation VLT, which was led and developed by the research and development centre of the Group, has passed the technical testing and its trial run will be launched upon approval of Beijing Lottery Online Technology Co., Ltd. The second generation VLT is installed with a touch screen LCD feature with a modern design.

Tabcorp International Hong Kong Limited, a joint venture between the Group and Tabcorp Holdings Limited, is currently in its final stage of preparation for the national roll out of KENO. The Group believes that the sales of KENO will increase significantly after its national rollout outside of CLO halls.

On 1 May 2007, the Group and International Game Technology ("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. Upon satisfaction of all conditions thereof, completion of the subscription agreement took place on 31 May 2007. Accordingly, IGT has subscribed for new shares of the Company and a convertible note, with a total investment amount of HK\$802.18 million. Following the formation of the strategic alliance, the Group and IGT, through their respective 100% owned affiliates, entered into a shareholders' agreement on 6 August 2007 to establish a 50:50 joint venture company to pursue new lottery related business opportunities in China.

In order to keep up with the further development of its business, the Group restructured its management team and strengthened its operation teams, in particular, on the build-up of its technical team. Currently, the Group is actively seeking for good merger and acquisition targets so as to expand its lottery business, broaden its income base and enhance its profitability.

Welfare lottery is a fast growing national business directed by the PRC authorities, with the mission to provide welfare support for the elderly, the handicapped, the orphans and those in poverty. The welfare lottery has 20 years of history since its initial launch and has brought substantial contribution to the public welfare. The Group remains optimistic about the future development of lottery market in China. The Group believes that, under the strict supervision and regulation of the Ministry of Finance and Ministry of Civil Affairs, there will be a continuous improvement in the issue and management of welfare lottery and the potential development of China's welfare lottery market is expected to be immense.

The Group will continue to focus on public welfare lottery business and will add more resources to strengthen its infrastructure for the provision of better services for China's welfare lottery market. The Group will also strengthen its business portfolio through mergers and acquisitions, thereby to enlarge its income base as well as earnings potential, and increase its presence in China's welfare lottery market to bring long-term and stable returns for our shareholders.

Financial Review

For the first half of 2007, the Group's business in the public welfare lottery in China continued its healthy growth and recorded a turnover of approximately HK\$102.72 million (for the first half of 2006: HK\$13.06 million). For the six months ended at 30 June 2007, consolidated profit attributable to equity holders of the Company amounted to approximately HK\$11 million (2006: loss of approximately HK\$9.03 million), while the consolidated profit attributable to equity holders, excluding the value of share options expensed and amortisation of intangible assets, was approximately HK\$23.46 million (2006: loss of approximately HK\$0.44 million). Consolidated profit attributable to equity holders of the Company for the second quarter of 2007 amounted to approximately HK\$8.19 million (2006: loss of approximately HK\$3.76 million) and the consolidated profit attributable to equity holders of the Company for the second quarter of the year before taking into account the value of share options expensed and amortisation of intangible assets was HK\$14.27 million (2006: approximately HK\$1.11 million).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

The Group raised a net proceeds of approximately HK\$789 million from a placement of 93,400,000 shares at HK\$2.70 each and an issue of convertible note at a principal amount of HK\$550 million to International Game Technology ("IGT") during the six months ended 30 June 2007. Details of the convertible note are set out in note 14 to condensed financial statements in this interim report. The Group also generated a cash inflow of HK\$64.2 million from its operating activities during the six months ended 30 June 2007.

As at 30 June 2007, the Group had an outstanding guarantee and indemnity for HK\$20 million (as at 31 December 2006: HK\$20 million) plus interest and other charges for treasury facilities provided by a bank. Such treasury facilities were for a maximum tenor of 18 months, with facility limits to be determined by the bank at its sole discretion and may vary from time to time by the bank. No treasury facilities were utilised as at 30 June 2007 (as at 31 December 2006: Nil).

The Group expects that the available financial resources will sufficiently fund its capital and operating requirements. The Group did not have any bank borrowings as at 30 June 2007 (as at 31 December 2006: Nil).

The Group's total equity amounted to approximately HK\$1,775.6 million as at 30 June 2007 (as at 31 December 2006: HK\$1,435.7 million). As at 30 June 2007, net current asset of the Group amounted to approximately HK\$1,188.2 million (as at 31 December 2006: HK\$336.8 million), including approximately HK\$1,132.2 million in cash and deposits with banks and financial institution (as at 31 December 2006: HK\$326.8 million).

The gearing ratio (defined as total liabilities over total assets) of the Group on 30 June 2007 was approximately 27.8% (as at 31 December 2006: 4.1%).

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

On 1 May 2007, the Group and IGT had entered into a subscription agreement for the subscription of shares of the Company and a convertible note 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 source advanced gaming technology from IGT to support the Group's business expansion in the lottery market in China. Net proceeds of approximately HK\$789 million raised from issue of shares and convertible note to IGT will be used by the Group to finance its future business expansion and potential investment opportunities. Meanwhile, the Group and IGT are exploring possible new lottery business opportunities in China together.

Exposure to Exchange Rates Fluctuation

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

Pledge of Asset

As at 30 June 2007, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (as at 31 December 2006: Nil).

Contingent Liabilities

As at 30 June 2007, the Group did not have any material contingent liabilities (as at 31 December 2006: Nil).

Staff

As at 30 June 2007, the Group employed 130 staff. The management believes that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

ISSUE OF SHARES

- (1) The Company issued a total of 1,800,000 new Shares of the Company upon the exercise of share options by the optionholders during the period from 1 January 2007 to 30 June 2007.
- (2) Pursuant to the subscription agreement dated 1 May 2007, the Company issued and allotted a total of 93,400,000 new Shares at an issue price of HK\$2.70 each to International Game Technology on 31 May 2007 for a total consideration of HK\$252,180,000. The above subscription shares were issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 24 April 2007.

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\$2.70 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"). Completion of the Subscription Agreement took place on 31 May 2007 and accordingly, the Subscription Shares were issued and allotted and the Convertible Note was issued to the Subscriber on 31 May 2007. The Subscription Shares and the Conversion Shares were or will be issued 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. Following the completion of the Subscription Agreement, the Technical Cooperation Agreement has come into effect on 31 May 2007.

The net proceeds of the Subscription Shares and the Convertible Note after deduction of the relevant expenses are approximately HK\$789,000,000, which will be used for financing business expansion, potential investment opportunities and general working capital.

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.

APPOINTMENTS OF DIRECTORS

On 16 July 2007, (i) Mr. CHAN Shing was appointed as the Chairman and an Executive Director of the Company; (ii) Mr. WU Jingwei was appointed as an Executive Director and the Deputy Chief Executive Officer of the Company; and (iii) Mr. Paulus Johannes Cornelis Aloysius KARSKENS was appointed as a Non-Executive Director of the Company.

RE-DESIGNATIONS OF DIRECTORS

On 16 July 2007, (i) Ms. LAU Ting was re-designated from the Chairman and an Executive Director of the Company to the Deputy Chairman and an Executive Director of the Company; (ii) Mr. HOONG Cheong Thard was re-designated from a Deputy Chairman, an Executive Director and the Chief Executive Officer of the Company to an Executive Director and the Chief Executive Officer of the Company; and (iii) Mr. SUN Ho was re-designated from a Deputy Chairman and an Executive Director of the Company to a Non-Executive Director of the Company.

RESIGNATIONS OF DIRECTORS AND CHANGES OF COMPLIANCE OFFICER AND AUTHORISED REPRESENTATIVE

With effect from 16 July 2007, due to the restructuring of the board of Directors, (i) Mr. CHEN Aizheng resigned as an Executive Director of the Company and (ii) Mr. NG Man Fai, Matthew resigned as an Executive Director, the Compliance Officer and an Authorised Representative of the Company; and (iii) Mr. HOONG Cheong Thard is appointed as the Compliance Officer and an Authorised Representative of the Company.

SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

At the special general meeting of the Company held on 6 August 2007, an ordinary resolution approving the subdivision of Shares, under which each of the existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company would be subdivided into 4 subdivided shares of HK\$0.0025 each (the "Subdivided Shares"), was passed by the shareholders. The share subdivision became effective on 7 August 2007, and with effect from 21 August 2007, the Subdivided Shares will be traded in board lots of 4,000 Subdivided Shares.

Details of the trading arrangements for the Subdivided Shares are set out in the circular of the Company dated 20 July 2007.

SHARE OPTION SCHEME

As at 30 June 2007, there were options for 78,980,000 Shares of HK\$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 30 July 2002 (the "Option Scheme"), which were valid and outstanding. Additionally, options for 600,000 Shares lapsed during the six months ended 30 June 2007.

Movements of share options granted under the Option Scheme during the six months ended 30 June 2007:

	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2007	No. of Shares under the options			held as at 30/6/2007	Approximate percentage interest in the Company's issued share capital
			from	until		granted during the period (Note 2)	exercised during the period	lapsed during the period		
(i) Name of Substantial Shareholder										
CHAN Shing (Note 3)	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	-	-	-	500,000	0.027%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	-	-	-	500,000	0.027%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%
(ii) Name of Director										
LAU Ting	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	-	-	-	500,000	0.027%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	-	-	-	500,000	0.027%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%
HOONG Cheong Thard	30/06/2006	1.14	16/08/2007	29/06/2016	4,400,000	-	-	-	4,400,000	0.236%
	30/06/2006	1.14	16/08/2008	29/06/2016	4,400,000	-	-	-	4,400,000	0.236%
	30/06/2006	1.14	16/08/2009	29/06/2016	4,400,000	-	-	-	4,400,000	0.236%
	30/06/2006	1.14	16/08/2010	29/06/2016	4,400,000	-	-	-	4,400,000	0.236%

	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2007	No. of Shares under the options			held as at 30/6/2007	Approximate percentage interest in the Company's issued share capital
			from	until		granted during the period	exercised during the period	lapsed during the period		
SUN Ho	01/09/2005	1.96	31/10/2005	30/10/2007	6,900,000	-	-	-	6,900,000	0.369%
	01/09/2005	1.96	31/10/2006	30/10/2007	6,900,000	-	-	-	6,900,000	0.369%
	08/06/2006	1.22	08/06/2007	07/06/2011	950,000	-	-	-	950,000	0.051%
	08/06/2006	1.22	08/06/2008	07/06/2011	950,000	-	-	-	950,000	0.051%
	08/06/2006	1.22	08/06/2009	07/06/2011	950,000	-	-	-	950,000	0.051%
	08/06/2006	1.22	08/06/2010	07/06/2011	950,000	-	-	-	950,000	0.051%
CHEN Aizheng (Note 3)	01/09/2005	1.96	31/10/2005	30/10/2007	4,500,000	-	-	-	4,500,000	0.241%
	01/09/2005	1.96	31/10/2006	30/10/2007	4,500,000	-	-	-	4,500,000	0.241%
	08/06/2006	1.22	08/06/2007	07/06/2011	2,000,000	-	-	-	2,000,000	0.107%
	08/06/2006	1.22	08/06/2008	07/06/2011	2,000,000	-	-	-	2,000,000	0.107%
	08/06/2006	1.22	08/06/2009	07/06/2011	2,000,000	-	-	-	2,000,000	0.107%
	08/06/2006	1.22	08/06/2010	07/06/2011	2,000,000	-	-	-	2,000,000	0.107%
NG Man Fai, Matthew (Note 3)	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	(150,000)	-	-	-
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%
HUANG Shenglan	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	-	-	-	500,000	0.027%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	-	-	-	500,000	0.027%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%
CHAN Ming Fai	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	(150,000)	-	-	-
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%
LI Xiaojun	01/09/2005	1.96	31/10/2005	30/10/2007	250,000	-	-	-	250,000	0.013%
	01/09/2005	1.96	31/10/2006	30/10/2007	250,000	-	-	-	250,000	0.013%
	08/06/2006	1.22	08/06/2007	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2008	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2009	07/06/2011	150,000	-	-	-	150,000	0.008%
	08/06/2006	1.22	08/06/2010	07/06/2011	150,000	-	-	-	150,000	0.008%

	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2007	No. of Shares under the options			held as at 30/6/2007	Approximate percentage interest in the Company's issued share capital
			from	until		granted during the period (Note 2)	exercised during the period	lapsed during the period		
(iii) Continuous contract employees	01/09/2005	1.96	31/10/2005	30/10/2007	600,000	-	-	-	600,000	0.032%
	01/09/2005	1.96	31/10/2006	30/10/2007	600,000	-	-	-	600,000	0.032%
	15/12/2005	2.70	15/12/2006	14/12/2008	1,500,000	-	-	-	1,500,000	0.080%
	08/06/2006	1.22	08/06/2007	07/06/2011	1,850,000	-	(500,000)	-	1,350,000	0.072%
							(Note 6)			
	08/06/2006	1.22	08/06/2008	07/06/2011	1,850,000	-	-	(100,000)	1,750,000	0.094%
	08/06/2006	1.22	08/06/2009	07/06/2011	1,850,000	-	-	(100,000)	1,750,000	0.094%
	08/06/2006	1.22	08/06/2010	07/06/2011	1,850,000	-	-	(100,000)	1,750,000	0.094%
	11/01/2007	1.78	01/01/2008	31/12/2011	-	500,000	-	-	500,000	0.027%
	11/01/2007	1.78	01/01/2009	31/12/2011	-	500,000	-	-	500,000	0.027%
	11/01/2007	1.78	01/01/2010	31/12/2011	-	500,000	-	-	500,000	0.027%
	11/01/2007	1.78	01/01/2011	31/12/2011	-	500,000	-	-	500,000	0.027%
	11/05/2007	3.10	02/05/2008	01/05/2014	-	450,000	-	-	450,000	0.024%
	11/05/2007	3.10	02/05/2009	01/05/2014	-	450,000	-	-	450,000	0.024%
	11/05/2007	3.10	02/05/2010	01/05/2014	-	450,000	-	-	450,000	0.024%
11/05/2007	3.10	02/05/2011	01/05/2014	-	450,000	-	-	450,000	0.024%	
11/05/2007	3.10	02/05/2012	01/05/2014	-	450,000	-	-	450,000	0.024%	
11/05/2007	3.10	02/05/2013	01/05/2014	-	750,000	-	-	750,000	0.040%	
(iv) Other participants	01/09/2005	1.96	31/10/2005	30/10/2007	1,430,000	-	(500,000)	(150,000)	780,000	0.042%
							(Note 7)			
	01/09/2005	1.96	31/10/2006	30/10/2007	1,550,000	-	(500,000)	(150,000)	900,000	0.048%
							(Note 8)			
	08/06/2006	1.22	08/06/2007	07/06/2011	1,000,000	-	-	-	1,000,000	0.054%
	08/06/2006	1.22	08/06/2008	07/06/2011	1,000,000	-	-	-	1,000,000	0.054%
	08/06/2006	1.22	08/06/2009	07/06/2011	1,000,000	-	-	-	1,000,000	0.054%
	08/06/2006	1.22	08/06/2010	07/06/2011	1,000,000	-	-	-	1,000,000	0.054%
				Total:	76,380,000	5,000,000	(1,800,000)	(600,000)	78,980,000	

Notes:

1. The options are recognised as expenses in the accounts in accordance with Hong Kong Financial Reporting Standard 2. Other details of share options granted by the Company are set out in note 16 to the condensed financial statements.
2. For the share options granted during the period, (i) the closing price per Share immediately before the date of grant of 11 January 2007 was HK\$1.78; and (ii) the closing price per Share immediately before the date of grant of 11 May 2007 was HK\$3.10.
3. Mr. CHAN Shing was appointed as the Chairman and an Executive Director of the Company on 16 July 2007. Mr. CHEN Aizheng and Mr. NG Man Fai, Matthew resigned as Executive Directors of the Company on 16 July 2007 and they are currently employees of the Company.
4. The weighted average closing price per Share immediately before the date on which the option for 150,000 Shares was exercised was HK\$3.15.
5. The weighted average closing price per Share immediately before the date on which the option for 150,000 Shares was exercised was HK\$3.12.
6. The weighted average closing price per Share immediately before the date on which the options were exercised, (i) for 100,000 Shares was HK\$3.11, (ii) for 150,000 Shares was HK\$3.15, and (iii) for 250,000 Shares was HK\$3.12.
7. The weighted average closing price per Share immediately before the date on which the options were exercised, (i) for 250,000 Shares was HK\$2.69 and (ii) for 250,000 Shares was HK\$3.09.
8. The weighted average closing price per Share immediately before the date on which the options were exercised, (i) for 250,000 Shares was HK\$3.12 and (ii) for 250,000 Shares was HK\$3.09.

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

As at 30 June 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 pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(1) Interests in Shares

(A) The Company

Name of Director	Number of Shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
LAU Ting	52,288,803	72,951,773 (Note 1)	407,404,308 (Note 2)	532,644,884 (Note 3)	28.52%
SUN Ho	3,070,000	30,000	-	3,100,000	0.17%
CHEN Aizheng (Note 4)	2,490,000	156,000	-	2,646,000	0.14%
NG Man Fai, Matthew (Note 4)	810,000	-	-	810,000	0.04%
CHAN Ming Fai	150,000	-	-	150,000	0.01%

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 20.36% by Hang Sing, as to 19.05% by Strong Purpose, as to 1.96% by Ms. LAU Ting and as to 2.83% 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.
- Mr. CHEN Aizheng and Mr. NG Man Fai, Matthew resigned as Executive Directors of the Company on 16 July 2007.

(B) Associated Corporation – Burwill Holdings Limited

Name of Director	Number of ordinary shares				Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests	Total	
LAU Ting	21,776,072	31,431,472 (Note 1)	438,304,701 (Note 2)	491,512,245 (Note 3)	44.20%
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

As at 30 June 2007, the interests of the Directors and chief executive of the Company in options for Shares of the Company 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 pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as disclosed in the previous section headed "Share Option Scheme" of this report.

Save as otherwise disclosed above, as at 30 June 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 30 June 2007, according to the register required to be kept by the Company under Section 336 of the SFO, 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

Name of shareholder	Number of Shares				Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
CHAN Shing (Note 10)	72,951,773	52,288,803 (Note 1)	407,404,308 (Note 2)	532,644,884 (Note 3)	28.52%
Burwill	–	–	385,489,074	385,489,074 (Notes 2 & 4)	20.64%
Legg Mason Inc (Note 5)	–	–	141,738,000	141,738,000	7.59%
Lloyds TSB Group Plc (Note 6)	–	–	126,304,100	126,304,100	6.76%
YU Man Yiu, Park	50,188,500	–	70,000,860 (Note 7)	120,189,360	6.43%
LIM Loong Keng (Note 8)	–	–	116,000,000	116,000,000	6.21%
Toward Plan Investments Limited (Note 8)	–	–	116,000,000	116,000,000	6.21%
Ward Ferry Management (BVI) Limited (Note 9)	–	–	108,198,000	108,198,000	5.79%
Atlantis Investment Management Limited	–	–	107,000,000	107,000,000	5.73%
International Game Technology	–	–	93,400,000	93,400,000	5.00%

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 20.36% by Hang Sing, as to 19.05% by Strong Purpose, as to 1.96% by Ms. LAU Ting and as to 2.83% 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. These Shares were held by Legg Mason International Equities (Singapore) Pte Limited, 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.
6. These Shares were held by Scottish Widows Plc, a company which is wholly-owned by Lloyds TSB Group Plc.
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. 116,000,000 Shares were held by Toward Plan Investments Limited which is wholly-owned by Mr. LIM Loong Keng.
9. 48,382,000 Shares were held by WF Asia Fund Limited, 3,262,000 Shares were held by Arrow WF Asia Fund, 15,262,000 Shares were held by WF Japan Fund Limited, 19,730,000 Shares were held by WF Asian Smaller Companies 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. Mr. CHAN Shing was appointed as the Chairman and an Executive Director of the Company on 16 July 2007.

(2) Interests in Underlying Shares

As at 30 June 2007, the interests of the substantial shareholders (other than the Directors and chief executive of the Company) in options for Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as disclosed in the previous section headed "Share Option Scheme" of this report. As at 30 June 2007, International Game Technology had a derivative interest in 143,979,057 Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Save as disclosed above, as at 30 June 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, sold or redeemed any of the Company's listed securities during the six months ended 30 June 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 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 interim financial statements of the Group for the six months ended 30 June 2007 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which currently comprises two Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan and Mr. CHAN Ming Fai, and an Executive Director of the Company, Mr. HOONG Cheong Thard. The Remuneration Committee is responsible for considering and reviewing the terms of service contracts of the Directors and the senior management of the Company.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2007, except for the deviations from Code provisions A4.1 and A4.2.

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

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

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 8 August 2007

As at the date of this report, the Board of the Company comprises Mr. Chan Shing, Ms. Lau Ting, Mr. Hoong Cheong Thard, Mr. Wu Jingwei and Mr. Wang Taoguang as Executive Directors, Mr. Sun Ho and Mr. Paulus Johannes Cornelis Aloysius Karskens as Non-Executive Directors, and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.