



**China**  
**LotSynergy** 2008 First Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 8161



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 2008, together with the comparative unaudited figures for the corresponding period in 2007, as follows:

	Notes	Unaudited Three months ended 31 March	
		2008 HK\$'000	2007 HK\$'000 As restated
Turnover	2	<b>57,490</b>	43,728
Costs of sales and services	3	<b>(15,483)</b>	(6,269)
Gross profit		<b>42,007</b>	37,459
Other income and gains		<b>9,928</b>	2,458
General and administrative expenses		<b>(18,027)</b>	(12,181)
Finance costs	4	<b>(6,309)</b>	-
Share option expenses		<b>(7,168)</b>	(5,567)
Operating profit	5	<b>20,431</b>	22,169
Share of profit less loss of jointly-controlled entities		<b>(2,223)</b>	-
Share of profit less loss of associates		<b>-</b>	(2,503)
Profit before income tax		<b>18,208</b>	19,666
Income tax	6	<b>(1,786)</b>	-
Profit for the period		<b><u>16,422</u></b>	<u>19,666</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,027</b>	2,806
Minority interests		<b>15,395</b>	16,860
		<b><u>16,422</u></b>	<u>19,666</u>
<b>Earnings per share attributable to the equity holders of the Company during the period</b>			
- basic	7	<b><u>0.01 HK cent</u></b>	<u>0.04 HK cent</u>
- diluted	7	<b><u>0.01 HK cent</u></b>	<u>0.04 HK cent</u>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited consolidated results has 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 2007.

The Group has adopted the standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2008. The adoption of such standards, amendment and interpretations did not have material effect on these results.

## 2. Turnover

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 for the periods is as follows:

	<b>Unaudited Three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Turnover		
Income from provision of lottery terminals	<b>56,075</b>	43,709
Income from sales of lottery equipment	<b>1,339</b>	-
Income from provision of consultancy and maintenance services	<b>76</b>	19
	<b>57,490</b>	43,728

### 3. Costs of sales and services

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<i>HK\$'000</i>
Depreciation of lottery terminals	<b>8,130</b>	2,981
Business tax	<b>2,626</b>	2,229
Cost of inventories recognised as expense	<b>455</b>	–
Other cost of services	<b>4,272</b>	1,059
	<b><u>15,483</u></b>	<u>6,269</u>

### 4. Finance costs

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<i>HK\$'000</i>
Accrued interest on convertible note	<b><u>6,309</u></b>	<u>–</u>

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

### 5. Operating profit

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<i>HK\$'000</i>
		As restated
Operating profit is stated after charging:		
Staff costs (excluding share option expenses)	<b>11,055</b>	5,625
Amortisation of intangible assets	<b>1,632</b>	1,632
Depreciation of other items of property, plant and equipment	<b><u>559</u></b>	<u>217</u>

## 6. Income tax

	<b>Unaudited Three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– PRC Enterprise Income Tax	<b>4,186</b>	–
Overprovision in prior year		
– PRC Enterprise Income Tax	<b>(2,291)</b>	–
Deferred income tax	<b>(109)</b>	–
	<b><u>1,786</u></b>	<u>–</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the three months ended 31 March 2008 (2007: Nil).

## 7. Earnings per share

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

	<b>Unaudited Three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
		As restated
Profit for the period attributable to the equity holders of the Company for the purpose of calculating basic and diluted earnings per share	<b><u>1,027</u></b>	<u>2,806</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share	<b>7,575,752,571</b>	7,090,328,000
Effect of dilutive potential ordinary shares:		
– Share options	<b><u>67,854,851</u></b>	<u>84,602,076</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b><u>7,643,607,422</u></b>	<u>7,174,930,076</u>

The computation of diluted earnings per share for the three months ended 31 March 2008 has not assumed the conversion of convertible note because its conversion would increase the earnings per share.

The weighted average number of ordinary shares for the purpose of basic earnings per share had been adjusted for the share subdivision on 7 August 2007.

## 8. Share capital

	<b>Unaudited Authorised ordinary shares</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2007 and 31 March 2007 (ordinary shares of HK\$0.01 each)	4,000,000,000	40,000
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each ( <i>Note (i)</i> )	<u>12,000,000,000</u>	<u>—</u>
As at 1 January 2008 and 31 March 2008 (ordinary shares of HK\$0.0025 each)	<b><u>16,000,000,000</u></b>	<b><u>40,000</u></b>
	<b>Unaudited Issued and fully paid ordinary shares</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2007 and 31 March 2007 (ordinary shares of HK\$0.01 each)	1,772,582,000	17,726
New issue of shares (ordinary shares of HK\$0.01 each) ( <i>Note (ii)</i> )	93,400,000	934
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each ( <i>Note (i)</i> )	5,597,946,000	—
New issue of consideration shares (ordinary shares of HK\$0.0025 each) ( <i>Note (iii)</i> )	67,200,000	168
Share options exercised (ordinary shares of HK\$0.0025 each) ( <i>Note (iv)</i> )	135,320,000	338
Repurchase of shares (ordinary shares of HK\$0.0025 each) ( <i>Note (v)</i> )	<u>(9,688,000)</u>	<u>(24)</u>
As at 1 January 2008 (ordinary shares of HK\$0.0025 each)	<b>7,656,760,000</b>	<b>19,142</b>
Repurchase of shares (ordinary shares of HK\$0.0025 each) ( <i>Note (vi)</i> )	<b><u>(244,584,000)</u></b>	<b><u>(611)</u></b>
As at 31 March 2008 (ordinary shares of HK\$0.0025 each)	<b><u>7,412,176,000</u></b>	<b><u>18,531</u></b>

## 8. Share capital (Cont'd)

### Notes:

- (i) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 6 August 2007, every share of HK\$0.01 each in the issued and unissued share capital of the Company was subdivided into 4 shares of HK\$0.0025 each (the "Share Subdivision"). The Share Subdivision became effective on 7 August 2007.
- (ii) Pursuant to the subscription agreement dated 1 May 2007, the Company issued and allotted a total of 93,400,000 new shares of HK\$0.01 each at HK\$2.70 per share to International Game Technology on 31 May 2007.
- (iii) Pursuant to the two conditional sale and purchase agreements dated 10 September 2007, the Company allotted and issued a total of 50,400,000 new consideration shares of HK\$0.0025 each at HK\$1.13 to Citibest Investments Limited on 30 October 2007 and 16,800,000 new consideration shares of HK\$0.0025 each at HK\$0.89 to certain vendors on 27 December 2007 as payment of part of the consideration for the subscription of interests in Champ Mark Investments Limited and Lottnal Holdings Limited respectively.
- (iv) Share options were exercised by optionholders during the year ended 31 December 2007 to subscribe for a total of 135,320,000 shares of HK\$0.0025 each by payment of subscription monies of approximately HK\$64,124,000, of which approximately HK\$338,000 was credited to share capital and the balance of approximately HK\$63,786,000 was credited to the share premium account.
- (v) The Company repurchased 9,688,000 of its own shares of HK\$0.0025 each on the Stock Exchange in December 2007. The highest and lowest price paid per share were HK\$0.90 and HK\$0.85 respectively. The total amount paid for the repurchase of shares was approximately HK\$8,510,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.
- (vi) The Company repurchased 244,584,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the three months ended 31 March 2008. The highest and lowest price paid per share were HK\$0.96 and HK\$0.35 respectively. The total amount paid for the repurchase of shares was approximately HK\$123,671,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.



## 9. Reserves and retained profit/accumulated losses

Unaudited three months ended 31 March 2007

	Share premium HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance 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
Currency translation differences of overseas subsidiaries/associate	-	-	2,508	-	-	2,508
Share option scheme:						
- value of employee services	-	-	-	5,048	-	5,048
- value of other participants' services	-	-	-	519	-	519
- vested share options cancelled	-	-	-	(365)	365	-
Balance 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>

Unaudited three months ended 31 March 2008

	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
Balance as at 1 January 2008	1,674,115	20,080	15,158	17,808	25,934	132,823	1,885,918
Profit for the period	-	-	-	-	-	1,027	1,027
Currency translation differences of overseas subsidiaries/ jointly-controlled entities	-	-	-	7,430	-	-	7,430
Share option scheme:							
- value of employee services	-	-	-	-	6,959	-	6,959
- value of other participants' services	-	-	-	-	209	-	209
Repurchase of shares	(123,831)	-	-	-	-	-	(123,831)
Balance as at 31 March 2008	<u>1,550,284</u>	<u>20,080</u>	<u>15,158</u>	<u>25,238</u>	<u>33,102</u>	<u>133,850</u>	<u>1,777,712</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

The Group is principally engaged in the provision of lottery gaming systems, terminal equipment and relevant technologies and consultancy services to the welfare lottery market in China.

In the first quarter of 2008, the Group recorded a turnover of approximately HK\$57.5 million (first quarter of 2007: HK\$43.7 million) and net profit attributable to equity holders of the Company of approximately HK\$1.0 million (first quarter of 2007: HK\$2.8 million). Excluding share option expenses and amortisation of intangibles, profit attributable to equity holders amounted to approximately HK\$9.0 million (first quarter of 2007: HK\$9.2 million). During the quarter, the Group derived its revenues from the provision of Video Lottery Terminals (“VLT”), supply of traditional computer lottery terminals and supply of KENO high frequency lottery system and terminals, etc.

### **VLT (Video Lottery Terminals) Project**

During the period under review, revenue from VLT operations experienced a slower growth compared to the same period last year, due to the impact from the shortening of operating hours in VLT halls, reduction of game choices and limit imposed on total daily bet, which took place after the Chinese New Year holiday period. The management expects that, in the short term, it is inevitable for VLT operations to be negatively affected by the measures mentioned above.

VLT is a lottery product approved by the Ministry of Finance and distributed nationally by the China Welfare Lottery Issuance and Management Centre; and the associated VLT game rules are subject to review and approval by relevant government departments. The management believes that when anticipated new games and new payout calculation mechanism are deployed, the VLT business will be re-stimulated and it will develop in a healthier and more sustainable manner, and the related policy risks will be reduced significantly.

### **KENO High Frequency Lottery Project**

The Group completed the restructuring of the original KENO joint venture last quarter, with GTECH Corporation (“GETCH”) joining as a new equity partner of the business. GTECH together with its parent company Lottomatica, S.p.A., being one of the world’s largest lottery gaming operators and solution providers, will bring a significant positive impact to the development of the KENO project.

KENO is one of the few national lottery products in China, and the product is entering a large-scale public deployment stage. The management believes that the project will bring long-term steady revenue to the Group.

### **Traditional Computer Lottery Project**

The Group started operating traditional lottery business after completing the acquisition of Champ Mark Investments Limited (“CMIL”) group last quarter. CMIL group specialises in the provision of lottery systems and equipment to provincial welfare lottery issuing authorities in the PRC, and is also engaged in the research and development and manufacture of lottery ticket scanners. It is also a national supplier of high frequency lottery KENO gaming terminals in China.

Compared with the same period last year, revenue derived from the turnover sharing business of traditional computer lottery operations continued to grow. The acquisition brought in stable cash flow and secured for the Group a pool of experienced engineers and management talents in the lottery industry. The Group's new projects, such as the provision of KENO technology support for its customer in Cambodia, are beginning to contribute to the Group's profitability. In addition, the Group is also actively exploring overseas markets for its multi-functional lottery terminals, targeting the European market.

## **Outlook**

The Group is optimistic about the prospects of the China lottery market. Compared with the major developed countries, the lottery industry in China is still in a development stage. In March this year, the State Council Legislative Affairs Office issued a consultative paper on the new lottery regulations, a step favourable to the development of the lottery legislation in China. The Group believes that through new legislations, the lottery industry in the country will be better regulated with enhanced transparency and will hence encourage increased participation by interested parties. The change will also provide opportunities for the Group to expand its operation to cover other segments in the lottery value chain, such as lottery sales and distributions. The Group believes that VLT, being a new high frequency lottery product in China, will continue to experience a period of adjustments and fine-tunings. In the long run, with the launch of new games and the new payout calculation mechanism, and with future improvement in the management of VLT halls nationwide, the VLT project will have a bright and stable development prospect in China.

The Group is committed to cooperating with leading international players in the industry to bring advanced lottery technology and mature operating management expertise into the China lottery market. The Group believes that the cooperation with International Game Technology and GTECH will benefit the China lottery industry by bringing improvements to the standards of research and development of lottery systems, terminal manufacturing and operation, and by introducing enhanced game offerings, in terms of varieties and contents. It enables the China lottery market to operate in a safe environment and to develop in a healthy manner.

The Group will continue to strengthen its management and technical teams and existing business foundation to position it to actively explore new business opportunities in lottery-related areas in China. The Group will seek to penetrate the various parts of the lottery value chain, so as to diversify the risks of reliance on any single project. The Group will also continue to seek value-enhancing projects that can bring strategic benefits, in order to expand its business portfolio and to strengthen its revenue base and profitability with the objective of bringing long-term stable returns to its shareholders.

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

As at 31 March 2008, 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 dealings 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 shares of HK\$0.0025 each				Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
CHAN Shing	341,407,092	213,155,212 (Note 1)	1,629,617,232 (Notes 2 & 3)	2,184,179,536 (Note 3)	29.47%
LAU Ting	213,155,212	341,407,092 (Note 4)	1,629,617,232 (Notes 2 & 3)	2,184,179,536 (Note 3)	29.47%
HUANG Shenglan	4,000,000	-	-	4,000,000	0.05%
LI Xiaojun	2,000,000	-	-	2,000,000	0.03%

#### Notes:

- These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
- 45,280,768 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 Mr. CHAN Shing and Ms. LAU Ting. 42,380,168 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 1,541,956,296 shares were held by Burwill Holdings Limited ("Burwill"), which is owned as to 20.37% by Hang Sing, as to 19.06% by Strong Purpose, as to 3.42% by Mr. CHAN Shing and as to 3.34% by Ms. LAU Ting.
- 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.
- These shares were owned by Mr. CHAN Shing.

## (B) Associated Corporation – Burwill Holdings Limited

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests		
CHAN Shing	37,999,472	37,158,072 (Note 1)	438,304,701 (Notes 2 & 3)	513,462,245 (Note 3)	46.19%
LAU Ting	37,158,072	37,999,472 (Note 4)	438,304,701 (Notes 2 & 3)	513,462,245 (Note 3)	46.19%

## Notes:

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
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 Mr. CHAN Shing and Ms. LAU Ting. 211,900,848 shares were held by Strong Purpose, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting.
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 were owned by Mr. CHAN Shing.

**(2) Interests in Underlying Shares**

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period from until		No. of ordinary shares of HK\$0.0025 each under the options held as at 31/3/2008	Approximate percentage interest in the Company's issued share capital
CHAN Shing	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	0.008%
LAU Ting	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	0.008%
HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	0.237%
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	0.237%
	30/06/2006	0.285	16/08/2009	29/06/2016	17,600,000	0.237%
	30/06/2006	0.285	16/08/2010	29/06/2016	17,600,000	0.237%
WU Jingwei	11/01/2007	0.445	01/01/2008	31/12/2011	2,000,000	0.027%
	11/01/2007	0.445	01/01/2009	31/12/2011	2,000,000	0.027%
	11/01/2007	0.445	01/01/2010	31/12/2011	2,000,000	0.027%
	11/01/2007	0.445	01/01/2011	31/12/2011	2,000,000	0.027%
	04/07/2007	0.975	01/01/2008	31/12/2013	1,200,000	0.016%
	04/07/2007	0.975	01/01/2009	31/12/2013	1,200,000	0.016%
	04/07/2007	0.975	01/01/2010	31/12/2013	1,200,000	0.016%
	04/07/2007	0.975	01/01/2011	31/12/2013	1,200,000	0.016%
	04/07/2007	0.975	01/01/2012	31/12/2013	3,200,000	0.043%
	04/07/2007	0.975	01/01/2013	31/12/2013	3,200,000	0.043%
	13/11/2007	0.960	01/01/2008	31/12/2011	8,000,000	0.108%
	13/11/2007	0.960	01/01/2009	31/12/2011	8,000,000	0.108%
	13/11/2007	0.960	01/01/2010	31/12/2011	8,000,000	0.108%
	13/11/2007	0.960	01/01/2011	31/12/2011	8,000,000	0.108%

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of ordinary shares of HK\$0.0025 each under the options held as at 31/3/2008	Approximate percentage interest in the Company's issued share capital
			from	until		
LIAO Yuang-whang	18/09/2007	0.904	18/09/2008	17/09/2011	3,200,000	0.043%
	18/09/2007	0.904	18/09/2009	17/09/2011	3,200,000	0.043%
	18/09/2007	0.904	18/09/2010	17/09/2011	5,600,000	0.076%
	13/11/2007	0.960	18/09/2008	17/09/2012	8,000,000	0.108%
	13/11/2007	0.960	18/09/2009	17/09/2012	8,000,000	0.108%
	13/11/2007	0.960	18/09/2010	17/09/2012	8,000,000	0.108%
	13/11/2007	0.960	18/09/2011	17/09/2012	8,000,000	0.108%
HUANG Shenglan	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	0.008%
CHAN Ming Fai	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	0.008%
LI Xiaojun	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	0.008%

Save as disclosed above, as at 31 March 2008, 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 dealings 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 2008, 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 of the Company

Name of Shareholder	Number of shares of HK\$0.0025 each			Approximate percentage interest in the Company's issued share capital
	Personal interests	Corporate interests	Total	
Burwill	–	1,541,956,296	1,541,956,296 <i>(Note 1)</i>	20.80%
Atlantis Investment Management Limited	923,500,000	–	923,500,000 <i>(Note 2)</i>	12.46%
Legg Mason Inc	–	587,696,000	587,696,000 <i>(Note 3)</i>	7.93%
Ward Ferry Management (BVI) Limited	–	563,424,000	563,424,000 <i>(Note 4)</i>	7.60%
Lloyds TSB Group Plc	–	536,716,800	536,716,800 <i>(Note 5)</i>	7.24%
JPMorgan Chase & Co.	–	454,636,000	454,636,000 <i>(Note 6)</i>	6.13%
Yu Man Yiu, Park	120,990,000	260,000,400 <i>(Note 7)</i>	380,990,400	5.14%
International Game Technology	373,600,000	–	373,600,000	5.04%



*Notes:*

1. These shares formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting.
2. These shares were held by Atlantis Investment Management Limited as investment manager.
3. These shares were held by Legg Mason International Equities (Singapore) Pte Limited as investment manager, 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.
4. 244,436,000 shares were held by WF Asia Fund Limited, 13,048,000 shares were held by Arrow WF Asia Fund, 110,804,000 shares were held by WF Asian Reconnaissance Fund Limited and 195,136,000 shares were held by WF Asian Smaller Companies Fund Limited. Ward Ferry Management (BVI) Limited is the investment manager of these funds or companies.
5. These shares were held by Scottish Widows Plc (a company which is wholly-owned by Lloyds TSB Group Plc) as investment manager.
6. These shares were held by JPMorgan Chase Bank, N.A. (a company which is wholly-owned by JPMorgan Chase & Co.) as custodian.
7. 400 shares were held by Good Talent Trading Limited which is owned as to 35% by Mr. YU Man Yiu, Park and 260,000,000 shares were held by Centrix Investments Limited, a company which is wholly-owned by Mr. YU Man Yiu, Park.

**(2) Interests in Underlying Shares**

As at 31 March 2008, International Game Technology had a derivative interest in 575,916,228 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 31 March 2008, 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.

**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.

**CHANGES OF REMUNERATION COMMITTEE**

With effect from 29 February 2008, the Remuneration Committee of the Company comprises Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Ms. LAU Ting.

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

During the three months ended 31 March 2008, the Company repurchased a total of 244,584,000 shares of HK\$0.0025 each in the share capital of the Company (the "Shares") on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meeting held on 24 April 2007, details of which were as follows:-

Month/Year	Number of Shares Repurchased	Price per Share		Total Consideration (before expenses) HK\$
		Lowest HK\$	Highest HK\$	
1/2008	53,040,000	0.495	0.960	39,466,200
3/2008	191,544,000	0.350	0.500	84,204,620

All Shares repurchased were cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these Shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2008.

## AUDIT COMMITTEE

The Company has established an Audit Committee which currently comprises the three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. LI Xiaojun. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited consolidated results of the Group for the three months ended 31 March 2008 have been reviewed by the Audit Committee.

On behalf of the Board  
**CHAN Shing**  
 Chairman

Hong Kong, 9 May 2008

*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. Liao Yuang-whang as Executive Directors; Mr. Paulus Johannes Cornelis Aloysius Karskens and Mr. Wang Taoguang as Non-Executive Directors; and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.*