



China
LotSynergy 2008 Third Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 8161



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This report, for which the directors (the “Directors”) of China LotSynergy Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS (UNAUDITED)

The board of Directors of China LotSynergy Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2008, together with the comparative unaudited figures for the corresponding periods in 2007, as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	16,750	74,273	90,838	176,996
Cost of sales and services	3	(14,712)	(9,696)	(44,272)	(23,680)
Gross profit		2,038	64,577	46,566	153,316
Other income and (losses)/gains, net		(16,041)	12,376	3,968	20,445
General and administrative expenses		(29,084)	(17,870)	(72,848)	(44,161)
Finance costs	4	(6,310)	(6,141)	(18,928)	(8,188)
Share options expenses		(6,059)	(3,456)	(19,451)	(14,288)
Operating (loss)/profit	5	(55,456)	49,486	(60,693)	107,124
Share of profit less loss of jointly-controlled entities		(3,300)	-	(8,538)	-
Share of profit less loss of associates		-	524	-	(5,985)
(Loss)/Profit before income tax		(58,756)	50,010	(69,231)	101,139
Income tax	6	1,032	109	430	146
(Loss)/Profit for the period		(57,724)	50,119	(68,801)	101,285
Attributable to:					
Equity holders of the Company		(54,330)	20,734	(77,272)	31,733
Minority interests		(3,394)	29,385	8,471	69,552
		(57,724)	50,119	(68,801)	101,285
(Loss)/Earnings per share attributable to the equity holders of the Company during the period					
- basic - HK Cent	7	(0.73)	0.28	(1.04)	0.43
- diluted - HK Cent	7	N/A	0.27	N/A	0.43

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:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover				
Income from provision of lottery terminals and systems	13,943	74,247	84,419	176,937
Income from sales of lottery equipment	2,807	-	5,975	-
Income from provision of consultancy and maintenance services	-	26	444	59
	<u>16,750</u>	<u>74,273</u>	<u>90,838</u>	<u>176,996</u>

3. Cost of sales and services

	Unaudited Three months ended 30 September 2008		Unaudited Nine months ended 30 September 2008	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Depreciation of lottery terminals	8,236	5,062	24,645	11,587
Business tax	392	3,787	3,470	9,076
Cost of inventories recognised as expense	1,206	–	2,500	–
Other cost of sales and services	4,878	847	13,657	3,017
	<u>14,712</u>	<u>9,696</u>	<u>44,272</u>	<u>23,680</u>

4. Finance costs

	Unaudited Three months ended 30 September 2008		Unaudited Nine months ended 30 September 2008	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Accrued interest on convertible note	<u>6,310</u>	<u>6,141</u>	<u>18,928</u>	<u>8,188</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 (loss)/profit

	Unaudited Three months ended 30 September 2008		Unaudited Nine months ended 30 September 2008	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Operating (loss)/profit is stated after charging:				
Staff costs (excluding share options expenses)	11,823	8,572	33,183	20,849
Amortisation of intangible assets	1,632	1,632	4,896	4,896
Amortisation of leasehold land	467	–	467	–
Depreciation of property, plant and equipment	<u>723</u>	<u>251</u>	<u>2,267</u>	<u>718</u>

6. Income tax

	Unaudited Three months ended 30 September 2008		Unaudited Nine months ended 30 September 2008	
	HK\$'000	2007 HK\$'000	HK\$'000	2007 HK\$'000
Current income tax				
– People's Republic of China ("PRC") Enterprise Income Tax	(923)	–	2,122	–
Over provision in prior year				
– PRC Enterprise Income Tax	–	–	(2,224)	–
Deferred income tax	(109)	(109)	(328)	(146)
	<u>(1,032)</u>	<u>(109)</u>	<u>(430)</u>	<u>(146)</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the three months and nine months ended 30 September 2008 (2007: Nil and Nil).

Taxation on the PRC has been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates.

7. (Loss)/Earnings per share

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

	Unaudited Three months ended 30 September 2008		Unaudited Nine months ended 30 September 2008	
	HK\$'000	2007 HK\$'000	HK\$'000	2007 HK\$'000
(Loss)/Profit for the period attributable to the equity holders of the Company for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(54,330)</u>	<u>20,734</u>	<u>(77,272)</u>	<u>31,733</u>
Number of shares:				
Weighted average number of ordinary shares in issue for the purpose of calculating basic (loss)/earnings per share	7,402,164,000	7,506,482,348	7,459,943,139	7,297,053,044
Effect of dilutive potential ordinary shares:				
– Share options	–	171,736,830	–	144,165,278
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>7,402,164,000</u>	<u>7,678,219,178</u>	<u>7,459,943,139</u>	<u>7,441,218,322</u>

7. (Loss)/Earnings per share (Cont'd)

The computation of diluted loss per share for the three months and nine months ended 30 September 2008 has not assumed the conversion of convertible note and exercise of share options during the period because their conversion and exercise would reduce the loss per share. The computation of diluted earnings per share for the three months and nine months ended 30 September 2007 has not assumed the conversion of convertible note during the period because its conversion would increase the earnings per share.

8. Share capital

	Unaudited Authorised ordinary shares	
	Number of shares	HK\$'000
As at 1 January 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 30 September 2007, 1 January 2008 and 30 September 2008 (ordinary shares of HK\$0.0025 each)	<u>16,000,000,000</u>	<u>40,000</u>
	Unaudited Issued and fully paid ordinary shares	
	Number of shares	HK\$'000
As at 1 January 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)	7,656,760,000	19,142
Repurchase of shares (ordinary shares of HK\$0.0025 each) (<i>Note (vi)</i>)	<u>(254,596,000)</u>	<u>(637)</u>
As at 30 September 2008 (ordinary shares of HK\$0.0025 each)	<u>7,402,164,000</u>	<u>18,505</u>

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 (before Share Subdivision) 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 closing market price of HK\$1.13 to Citibest Investments Limited on 30 October 2007 and 16,800,000 new consideration shares of HK\$0.0025 each at closing market price of 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 254,596,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the nine months ended 30 September 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\$127,696,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.

9. Reserves and retained profit/accumulated losses

	Unaudited nine months ended 30 September 2008							
	Share premium	Capital reserve	Currency translation reserve	Share based compensation reserve	Convertible note	Revaluation surplus	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2008	1,674,115	15,158	17,808	25,934	20,080	-	132,823	1,885,918
Loss for the period	-	-	-	-	-	-	(77,272)	(77,272)
Currency translation differences of overseas subsidiaries/jointly-controlled entities	-	-	13,972	-	-	-	-	13,972
Transfer from land and building to investment property	-	-	-	-	-	14,340	-	14,340
Repurchase of shares	(127,982)	-	-	-	-	-	-	(127,982)
Share option scheme:								
- value of employee services	-	-	-	15,578	-	-	-	15,578
- value of other participants' services	-	-	-	3,873	-	-	-	3,873
- vested share options cancelled	-	-	-	(278)	-	-	278	-
Balance as at 30 September 2008	<u>1,546,133</u>	<u>15,158</u>	<u>31,780</u>	<u>45,107</u>	<u>20,080</u>	<u>14,340</u>	<u>55,829</u>	<u>1,728,427</u>

9. Reserves and retained profit / accumulated losses (Cont'd)

	Unaudited nine months ended 30 September 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 HK\$'000	Retained profit/ (Accumulated losses) 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	-	-	-	-	-	31,733	31,733
Currency translation differences of overseas subsidiaries	-	-	8,903	-	-	-	8,903
Share option scheme:							
- value of employee services	-	-	-	13,134	-	-	13,134
- value of other participants' services	-	-	-	1,154	-	-	1,154
- issue of shares under share option scheme	42,216	-	-	(16,571)	-	-	25,645
- vested share options cancelled	-	-	-	(365)	-	365	-
Issue of shares under subscription agreement	251,246	-	-	-	-	-	251,246
Share issue expenses	(6,634)	-	-	-	-	-	(6,634)
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 September 2007	<u>1,546,044</u>	<u>15,158</u>	<u>11,941</u>	<u>46,940</u>	<u>20,080</u>	<u>32,098</u>	<u>1,672,261</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (2007: Nil).

BUSINESS REVIEW AND OUTLOOK

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

In the first three quarters of 2008, the Group recorded a turnover of approximately HK\$90.84 million, which is 49% less than the same period in 2007 and net loss attributable to equity holders of the Company was approximately HK\$77.27 million (the first three quarters of 2007 recorded a profit of HK\$31.73 million). Excluding depreciation, amortisation, share options expense, convertible note interest accrual and unrealised fair value loss on financial asset, cash earnings attributable to equity holders amounted to approximately HK\$4.31 million for the first three quarters of 2008 (the three quarters of 2007 recorded a profit of HK\$63.17 million).

VLT (Video Lottery Terminals) Business

In February this year, China Lottery Online (“CLO”) (「中福在線」) video lottery, which is distributed nationally, made major adjustments to its game offerings, operating hours, payout ratio, etc. Following implementation of these measures, video lottery sales shrunk significantly compared with the same period last year. Being the exclusive provider of terminal equipment for CLO, the Group’s relevant business was adversely affected. Management believes that its negative effects will continue for some time before the introduction of new games.

However, management believes that adjustments mentioned above will lead CLO towards a new and healthy direction. Being the new trend in lottery business, VLT still has a bright prospect in China with its unique advantages compared with other lottery tickets. In addition, the State Council decided to issue disaster relief lotteries through CLO to raise welfare funds for re-establishments after earthquake. The Group maintains its positive and optimistic attitude concerning the long-term development of its VLT terminal supply business.

KENO High Frequency Lottery Business

CLS-GTECH Company Limited, a joint venture company of the Group, made new business progress in KENO – a high frequency lottery product sold through dedicated system across China. Terminal equipment rollout at public venues across China was approved this quarter. So far the Group has received orders from eight provinces including Shandong and Liaoning etc., and shipping and installation have been arranged accordingly. The management believes that the rollout at public venues will bring opportunities as well as challenges; nevertheless, the KENO business will generate steady revenue for the Group.

Computer Lottery Tickets Business

The Group's traditional computer lottery tickets business covers the provision of lottery systems and equipment to provincial welfare lottery issuing authorities in China, and extends to research and development and manufacture of lottery ticket scanners and readers. Compared with the same period last year, its revenue continued to grow, bringing stable cash flow for the Group. The Group's new businesses, such as the provision of technical support for KENO to its customers in Cambodia, have begun to bring in new cash flow to the Group. In addition, the Group is also actively exploring overseas markets for its multi-functional lottery terminals, targeting European markets.

Outlook

At present, the world's financial markets are in serious turmoil and global economic growth has slowed down noticeably. However, the Group remains optimistic about prospects for the development of public welfare lottery in China. As at the Asia-Pacific Regional Lottery Association Regional Meeting 2008, which was held in Beijing in September this year, participants were generally optimistic about the lottery market in China. The Group also believes that China will become one of the major lottery markets in the world soon.

The Group will strive to seize significant opportunities ahead. The Group believes that the industry's adoption of Lottery Legislation means that the lottery market will steadily be better regulated, and it will also gradually open the lottery market in China. This will provide business opportunities in all aspects of the value chain for extending the Group's business.

Regarding its existing businesses, the Group is actively cooperating with the government through CLO, issuing disaster relief lotteries, and will strive to achieve better performance in the supply of video lottery terminals. As the national connected high-frequency lottery KENO is about to be rolled out at public venues in eight provinces, including Shandong and Liaoning, the Group is positively preparing for the system and terminals supply and service. At the same time, the Group is expanding the traditional computer lottery tickets business.

The Group believes its partnership with International Game Technology and GTECH will benefit the China lottery industry in terms of improving the standards of research and development of lottery systems, as well as terminal manufacturing and operation. It will also improve and enrich lottery products both in variety and content, and allow the China lottery market to be operated in a safer environment and develop in a sustainable and stable manner.

The Group will continue to actively explore new lottery-related business opportunities in China. It will also seek to diversify risks associated with reliance on any single business by seeking to penetrate various parts of the lottery value chain. In the best interest of its shareholders, the Group will also enhance its business portfolio and strengthen its revenue streams and profitability by expanding research and marketing teams and through mergers and acquisitions in order to provide long-term and stable returns to its shareholders.

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

As at 30 September 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 of 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	213,155,212(L)	341,407,092(L) (Note 1)	1,629,617,232(L) 23,093,192(S) (Notes 2 & 3)	2,184,179,536(L) 23,093,192(S) (Note 3)	29.51%(L) 0.31%(S)
CHAN Shing	341,407,092(L)	213,155,212(L) (Note 4)	1,629,617,232(L) 23,093,192(S) (Notes 2 & 3)	2,184,179,536(L) 23,093,192(S) (Note 3)	29.51%(L) 0.31%(S)
HUANG Shenglan	4,000,000(L)	-	-	4,000,000(L)	0.05%(L)

Notes:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 45,280,768 shares were held by Hang Sing Overseas Limited ("Hang Sing") which was owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which was 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 was wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 1,541,956,296 shares were held by Burwill Holdings Limited ("Burwill"), which was owned as to 7.27% by Hang Sing, as to 6.81% by Strong Purpose, as to 3.42% by Mr. CHAN Shing, as to 3.34% by Ms. LAU Ting and as to 41.48% by Glory Add Limited, a company which was indirectly wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 23,093,192 shares held by Hang Sing were in short positions.
- As the interests of each of Mr. CHAN Shing and Ms. LAU Ting were deemed to be the interests of each other, the figures referred to the same shares.
- These shares were owned by Ms. LAU Ting.
- The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

(2) Interests in Underlying Shares of the Company

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage interest in the Company's issued share capital
			from	until	held as at 1/1/2008	granted during the period	held as at 30/9/2008	
LAU Ting	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	-	600,000	0.008%
CHAN Shing	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	-	600,000	0.008%
WU Jingwei	11/01/2007	0.445	01/01/2008	31/12/2011	2,000,000	-	2,000,000	0.027%
	11/01/2007	0.445	01/01/2009	31/12/2011	2,000,000	-	2,000,000	0.027%
	11/01/2007	0.445	01/01/2010	31/12/2011	2,000,000	-	2,000,000	0.027%
	11/01/2007	0.445	01/01/2011	31/12/2011	2,000,000	-	2,000,000	0.027%
	04/07/2007	0.975	01/01/2008	31/12/2013	1,200,000	-	1,200,000	0.016%
	04/07/2007	0.975	01/01/2009	31/12/2013	1,200,000	-	1,200,000	0.016%
	04/07/2007	0.975	01/01/2010	31/12/2013	1,200,000	-	1,200,000	0.016%
	04/07/2007	0.975	01/01/2011	31/12/2013	1,200,000	-	1,200,000	0.016%
	04/07/2007	0.975	01/01/2012	31/12/2013	3,200,000	-	3,200,000	0.043%
	04/07/2007	0.975	01/01/2013	31/12/2013	3,200,000	-	3,200,000	0.043%
	13/11/2007	0.960	01/01/2008	31/12/2011	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	01/01/2009	31/12/2011	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	01/01/2010	31/12/2011	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	01/01/2011	31/12/2011	8,000,000	-	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	-	2,000,000	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	-	2,000,000	2,000,000	0.027%
25/08/2008	0.500	25/08/2011	24/08/2013	-	2,000,000	2,000,000	0.027%	
25/08/2008	0.500	25/08/2012	24/08/2013	-	2,000,000	2,000,000	0.027%	

(2) Interests in Underlying Shares of the Company (Cont'd)

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage interest in the Company's issued share capital
			from	until	held as at 1/1/2008	granted during the period	held as at 30/9/2008	
LIAO Yuang-whang	18/09/2007	0.904	18/09/2008	17/09/2011	3,200,000	-	3,200,000	0.043%
	18/09/2007	0.904	18/09/2009	17/09/2011	3,200,000	-	3,200,000	0.043%
	18/09/2007	0.904	18/09/2010	17/09/2011	5,600,000	-	5,600,000	0.076%
	13/11/2007	0.960	18/09/2008	17/09/2012	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	18/09/2009	17/09/2012	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	18/09/2010	17/09/2012	8,000,000	-	8,000,000	0.108%
	13/11/2007	0.960	18/09/2011	17/09/2012	8,000,000	-	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	-	2,000,000	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	-	2,000,000	2,000,000	0.027%
	25/08/2008	0.500	25/08/2011	24/08/2013	-	2,000,000	2,000,000	0.027%
25/08/2008	0.500	25/08/2012	24/08/2013	-	2,000,000	2,000,000	0.027%	
HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	-	17,600,000	0.238%
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	-	17,600,000	0.238%
	30/06/2006	0.285	16/08/2009	29/06/2016	17,600,000	-	17,600,000	0.238%
	30/06/2006	0.285	16/08/2010	29/06/2016	17,600,000	-	17,600,000	0.238%
HUANG Shenglan	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	-	600,000	0.008%
CHAN Ming Fai	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	-	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	-	600,000	0.008%

Note: All interests in underlying shares were in long positions.

Save as disclosed above, as at 30 September 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 SHARES AND UNDERLYING SHARES

As at 30 September 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

Name of Shareholder	Number of shares				Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests	Total	
Burwill	1,535,324,296(L)	-	6,632,000(L)	1,541,956,296(L) (Note 1)	20.83%(L)
Burbank John H.	-	-	1,341,590,800(L)	1,341,590,800(L) (Note 2)	18.12%(L)
Passport Capital, LLC	-	1,341,590,800(L)	-	1,341,590,800(L) (Note 2)	18.12%(L)
Passport Management, LLC	-	1,341,590,800(L)	-	1,341,590,800(L) (Note 2)	18.12%(L)
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A - global strategy	963,464,800(L)	-	-	963,464,800(L) (Note 2)	13.02%(L)
Atlantis Investment Management Limited	-	923,500,000(L)	-	923,500,000(L)	12.48%(L)
Ward Ferry Management (BVI) Limited	-	730,322,000(L)	-	730,322,000(L) (Note 3)	9.87%(L)
Legg Mason Inc	-	492,172,000(L)	-	492,172,000(L) (Note 4)	6.65%(L)
Morgan Stanley	-	-	411,559,658(L) 412,039,658(S)	411,559,658(L) 412,039,658(S) (Note 5)	5.56%(L) 5.57%(S)
Passport Special Opportunities Master Fund, LP	396,800,800(L)	-	-	396,800,800(L)	5.36%(L)
International Game Technology	373,600,000(L)	-	-	373,600,000(L)	5.05%(L)

Notes:

1. 1,535,324,296 shares were held by Burwill and 6,632,000 shares were held by Hillot Limited, a company indirect wholly-owned by Burwill. These shares formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting.
2. Passport Management, LLC was the investment manager of various funds. One of these funds was Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy. Passport Capital, LLC was the sole managing member to Passport Management, LLC and Burbank John H. was the sole managing member to Passport Capital, LLC. The above information was notified by Passport Capital, LLC.
3. 368,988,000 shares were held by WF Asia Fund Limited, 15,484,000 shares were held by Arrow WF Asia Fund, 115,120,000 shares were held by WF Asian Reconnaissance Fund Limited and 230,730,000 shares were held by WF Asian Smaller Companies Fund Limited. Ward Ferry Management (BVI) Limited was the investment manager of these funds or companies.
4. These shares were held by Legg Mason International Equities (Singapore) Pte Limited which was wholly-owned by LM International Holding LP (“LM International”). LM International was wholly-owned by Legg Mason International Holdings II, LLC, a company which was wholly-owned by Legg Mason Inc.
5. 369,644,583 shares in long positions and 370,124,583 shares in short positions were held by Morgan Stanley & Co. International plc. which was indirectly owned as to 98.3% by Morgan Stanley. 41,915,075 shares in both long and short positions were held by Morgan Stanley & Co, Inc. which was wholly-owned by Morgan Stanley.
6. The letter “L” denotes long position(s) and the letter “S” denotes short position(s).

(2) Interests in Underlying Shares

As at 30 September 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 30 September 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.

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

During the nine months ended 30 September 2008, the Company repurchased a total of 254,596,000 shares of HK\$0.0025 each in the share capital of the Company 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)
		Lowest HK\$	Highest HK\$	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
4/2008	10,012,000	0.380	0.425	4,024,760

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 nine months ended 30 September 2008.

CHANGES OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF AUDIT COMMITTEE

With effect from 18 June 2008, (i) Mr. CUI Shuming was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company and (ii) Mr. Li Xiaojun resigned as an Independent Non-Executive Director and a member of the Audit Committee of the Company.

The Audit Committee of the Company comprised Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming since 18 June 2008.

RE-DESIGNATIONS OF DIRECTORS

Mr. CHAN Shing was re-designated to an Executive Director of the Company with effect from 18 June 2008.

Ms. LAU Ting was re-designated to the Chairman, an Executive Director and the Chief Executive Officer, and a member of the Remuneration Committee of the Company with effect from 12 September 2008.

Mr. HOONG Cheong Thard was re-designated to a Non-Executive Director of the Company with effect from 12 September 2008.

CHANGES OF COMPLIANCE OFFICER AND AUTHORISED REPRESENTATIVE

With effect from 12 September 2008, (i) Mr. HOONG Cheong Thard resigned as the Compliance Officer and an Authorised Representative of the Company and (ii) Mr. LIAO Yuang-whang, an Executive Director and Vice President/Chief Financial Officer of the Company, was appointed as the Compliance Officer and an Authorised Representative of the Company.

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.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which currently comprises two Independent Non-Executive Directors and an Executive Director of the Company. Since 29 February 2008, the members of the Remuneration Committee of the Company are Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Ms. LAU Ting. The Remuneration Committee is responsible for considering and reviewing the terms of service contracts of the Directors and the senior management of the Company.

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. CUI Shuming. 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 third quarterly results of the Group for the nine months ended 30 September 2008 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting
Chairman

The People's Republic of China, 10 November 2008

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