



China
LotSynergy

2009 Interim 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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 GEM of the Stock Exchange 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 board of directors (the “Board” or the “Directors”) of China LotSynergy Holdings Limited (the “Company”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2009, together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	13,209	16,598	24,783	74,088
Costs of sales and services	3	(11,953)	(14,077)	(23,889)	(29,560)
Gross profit		1,256	2,521	894	44,528
Other income and gains	4	17,844	10,081	20,973	20,009
General and administrative expenses		(25,426)	(25,737)	(47,417)	(43,764)
Finance costs	5	(6,605)	(6,309)	(13,211)	(12,618)
Share option expenses		(3,259)	(6,224)	(6,443)	(13,392)
Operating loss	6	(16,190)	(25,668)	(45,204)	(5,237)
Share of losses of jointly-controlled entities		(2,151)	(3,015)	(4,597)	(5,238)
Loss before income tax		(18,341)	(28,683)	(49,801)	(10,475)
Income tax	7	(2,768)	1,184	(2,817)	(602)
Loss for the period		(21,109)	(27,499)	(52,618)	(11,077)
Attributable to:					
Equity holders of the Company		(15,743)	(23,969)	(43,050)	(22,942)
Minority interests		(5,366)	(3,530)	(9,568)	11,865
		(21,109)	(27,499)	(52,618)	(11,077)
Loss per share for loss attributable to the equity holders of the Company during the period					
– basic – HK Cent	8	(0.21)	(0.32)	(0.58)	(0.31)
– diluted	8	N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2009 HK\$'000	Audited As at 31 December 2008 HK\$'000
Non-current assets			
Property, plant and equipment		99,492	114,263
Investment property		127,000	127,000
Intangible assets		314,468	337,153
Investments in jointly-controlled entities		75,603	80,184
Available-for-sale financial asset		43,668	33,940
Deferred income tax assets		1,660	1,660
Prepaid rentals		5,309	5,771
		<hr/>	<hr/>
Total non-current assets		667,200	699,971
Current assets			
Inventories		21,349	13,625
Accounts receivable	9	17,227	14,060
Prepayments, deposits and other receivables		38,830	12,699
Amount due from a jointly-controlled entity		7,992	7,857
Amounts due from related companies		21,567	21,854
Financial assets at fair value through profit or loss		291,973	292,185
Income tax refundable		–	603
Cash and bank balances		703,798	747,681
		<hr/>	<hr/>
Total current assets		1,102,736	1,110,564
		<hr/>	<hr/>
Total assets		1,769,936	1,810,535
Current liabilities			
Accounts payable	10	2,229	4,647
Accruals and other payables		6,482	12,722
Amount due to a jointly-controlled entity		24,069	34,033
Amounts due to related companies		281	–
Income tax payable		3,805	1,998
Financial liabilities at fair value through profit or loss		191,632	191,632
		<hr/>	<hr/>
Total current liabilities		228,498	245,032
		<hr/>	<hr/>
Net current assets		874,238	865,532
		<hr/>	<hr/>
Total assets less current liabilities		1,541,438	1,565,503

Condensed Consolidated Balance Sheet (Cont'd)

		Unaudited As at 30 June 2009 HK\$'000	Audited As at 31 December 2008 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Convertible note		575,568	562,357
Deferred income tax liabilities		15,698	16,334
		<hr/>	<hr/>
Total non-current liabilities		591,266	578,691
		<hr/>	<hr/>
Net assets		950,172	986,812
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	11	18,505	18,505
Reserves	12	1,663,898	1,647,920
Accumulated losses		(838,227)	(795,177)
		<hr/>	<hr/>
Capital and reserves attributable to equity holders of the Company		844,176	871,248
Minority interests		105,996	115,564
		<hr/>	<hr/>
Total equity		950,172	986,812
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

	Unaudited				
	Six months ended 30 June 2009				
	Attributable to equity holders of the Company				
	Share Capital	Reserves	Accumulated losses	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2009	18,505	1,647,920	(795,177)	115,564	986,812
Currency translation difference	-	16	-	-	16
Net income recognised directly in equity	-	16	-	-	16
Loss for the period	-	-	(43,050)	(9,568)	(52,618)
Total recognised income/(expense) for the period	-	16	(43,050)	(9,568)	(52,602)
Share option scheme:					
– value of employee services	-	6,250	-	-	6,250
– value of other participants' services	-	193	-	-	193
Fair value gain on available-for-sale financial assets	-	9,728	-	-	9,728
Deregistration of a subsidiary	-	(209)	-	-	(209)
	-	15,962	-	-	15,962
Balance as at 30 June 2009	<u>18,505</u>	<u>1,663,898</u>	<u>(838,227)</u>	<u>105,996</u>	<u>950,172</u>

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

	Unaudited Six months ended 30 June 2008				
	Attributable to equity holders of the Company				
	Share Capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2008	19,142	1,753,095	132,823	195,544	2,100,604
Currency translation difference	–	13,106	–	5,235	18,341
Net income recognised directly in equity	–	13,106	–	5,235	18,341
(Loss)/Profit for the period	–	–	(22,942)	11,865	(11,077)
Total recognised income/(expense) for the period	–	13,106	(22,942)	17,100	7,264
Transfer from land and building to investment property	–	14,340	–	–	14,340
Repurchase of shares	(637)	(127,949)	–	–	(128,586)
Share option scheme:					
– value of employee services	–	10,751	–	–	10,751
– value of other participants' services	–	2,641	–	–	2,641
Dividends paid to minority shareholders	–	–	–	(11,100)	(11,100)
Deregistration of a subsidiary	–	–	–	(15,764)	(15,764)
	(637)	(100,217)	–	(26,864)	(127,718)
Balance as at 30 June 2008	<u>18,505</u>	<u>1,665,984</u>	<u>109,881</u>	<u>185,780</u>	<u>1,980,150</u>

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(53,094)	52,303
Net cash generated from/(used in) investing activities	9,211	(111,230)
Net cash used in financing activities	–	(139,686)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(43,883)	(198,613)
Effect of foreign exchange rate changes	–	8,998
Cash and cash equivalents, beginning of period	747,681	993,269
	<hr/>	<hr/>
Cash and cash equivalents, end of period	703,798	803,654
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	703,798	803,654
	<hr/> <hr/>	<hr/> <hr/>

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 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of 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 "GEM Listing Rules").

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 2008.

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 2009. The adoption of such standards, amendment and interpretations did not have material effect on these financial statements.

2. Segment information and turnover

For the six months ended 30 June 2009 and 2008, over 90% of the Group's revenue were derived from the investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. Accordingly, no business segment information is presented.

An analysis of the Group's turnover for the periods is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover				
Income from provision of lottery terminals	8,433	14,401	17,460	70,476
Income from sales of equipment	3,941	1,829	6,488	3,168
Income from provision of consultancy services	835	368	835	444
	13,209	16,598	24,783	74,088

3. Costs of sales and services

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Depreciation of lottery terminals	5,141	8,279	13,609	16,409
Business tax	463	452	914	3,078
Cost of inventories recognised as expense	1,436	839	2,365	1,294
Loss on disposal of plant and equipment	3,205	–	3,205	–
Other cost of sales and services	1,708	4,507	3,796	8,779
	11,953	14,077	23,889	29,560

4. Other income and gains

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Financial assets at fair value through profit or loss	15,058	6,743	15,267	7,064
Dividend income on financial assets at fair value through profit or loss	572	–	726	–
Interest income from bank deposits	1,326	3,098	3,852	8,323
Rental income	144	240	384	480
Reversal of impairment on other receivables	744	–	744	4,142
	17,844	10,081	20,973	20,009

5. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Accrued interest expense on convertible note	6,605	6,309	13,211	12,618

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

6. Operating loss

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Operating loss is stated after charging:				
Staff costs (excluding share options expenses)	12,902	10,305	22,875	21,360
Amortisation of intangible assets	1,632	1,632	3,264	3,264
Depreciation of other items of property, plant and equipment	1,003	985	1,911	1,544
	<u>12,902</u>	<u>10,305</u>	<u>22,875</u>	<u>21,360</u>
	<u>1,632</u>	<u>1,632</u>	<u>3,264</u>	<u>3,264</u>
	<u>1,003</u>	<u>985</u>	<u>1,911</u>	<u>1,544</u>

7. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current income tax				
– People's Republic of China ("PRC") Enterprise Income Tax	3,011	(1,141)	3,378	3,045
Under/(over) provision in prior year				
– PRC Enterprise Income Tax	75	67	75	(2,224)
Deferred income tax	(318)	(110)	(636)	(219)
	<u>3,011</u>	<u>(1,141)</u>	<u>3,378</u>	<u>3,045</u>
	<u>75</u>	<u>67</u>	<u>75</u>	<u>(2,224)</u>
	<u>(318)</u>	<u>(110)</u>	<u>(636)</u>	<u>(219)</u>
	<u>2,768</u>	<u>(1,184)</u>	<u>2,817</u>	<u>602</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the three months and six months ended 30 June 2009 (2008: 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.

8. Loss per share

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

	Unaudited Three months ended 30 June 2009		Unaudited Six months ended 30 June 2009	
	2008		2008	
Loss for the period attributable to the equity holders of the Company (HK\$'000)	(15,743)	(23,969)	(43,050)	(22,942)
Number of shares:				
Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share	7,402,164,000	7,402,547,780	7,402,164,000	7,489,150,176

The computation of diluted loss per share for the three months and six months ended 30 June 2009 and 2008 has not assumed the conversion of convertible note and exercise of share options during the periods because their conversion and exercise would reduce the loss per share.

9. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	Unaudited As at 30 June 2009 HK\$'000	Audited As at 31 December 2008 HK\$'000
0 – 30 days	5,781	9,020
31 – 60 days	3,394	2,330
61 – 90 days	2,964	1,284
Over 90 days	5,088	1,426
	17,227	14,060

10. Accounts payable

Ageing analysis of accounts payable is as follows:

	Unaudited As at 30 June 2009 HK\$'000	Audited As at 31 December 2008 HK\$'000
0 – 30 days	–	681
31 – 60 days	–	758
61 – 90 days	–	869
Over 90 days	2,229	2,339
	2,229	4,647

11. Share capital

	Unaudited Authorised ordinary shares	
	Number of shares	HK\$'000
As at 1 January 2009 and 30 June 2009 (ordinary shares of HK\$0.0025 each)	16,000,000,000	40,000
	7,656,760,000	19,142
Repurchase of shares (ordinary shares of HK\$0.0025 each) (Note)	(254,596,000)	(637)
As at 1 January 2009 and 30 June 2009 (ordinary shares of HK\$0.0025 each)	7,402,164,000	18,505

Note:

The Company repurchased 254,596,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the year ended 31 December 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\$128,586,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.

12. Reserves

	Unaudited Six months ended 30 June 2009							Total HK\$'000
	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000	Available- for-sale investments HK\$'000	
Balance as at								
1 January 2009	1,546,166	20,080	15,158	31,257	36,145	11,974	(12,860)	1,647,920
Currency translation differences of overseas subsidiaries/ jointly-controlled entities	-	-	-	16	-	-	-	16
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	9,728	9,728
Share option scheme:								
- value of employee services	-	-	-	-	6,250	-	-	6,250
- value of other participants' services	-	-	-	-	193	-	-	193
Deregistration of a subsidiary	-	-	-	(209)	-	-	-	(209)
Balance as at 30 June 2009	1,546,166	20,080	15,158	31,064	42,588	11,974	(3,132)	1,663,898

	Unaudited Six months ended 30 June 2008							Total HK\$'000
	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000		
Balance as at								
1 January 2008		1,674,115	20,080	15,158	17,808	25,934	-	1,753,095
Currency translation differences of overseas subsidiaries/jointly-controlled entities		-	-	-	13,106	-	-	13,106
Transfer from land and building to investment property		-	-	-	-	-	14,340	14,340
Repurchase of shares		(127,949)	-	-	-	-	-	(127,949)
Share option scheme:								
- value of employee services		-	-	-	-	10,751	-	10,751
- value of other participants' services		-	-	-	-	2,641	-	2,641
Balance as at 30 June 2008		1,546,166	20,080	15,158	30,914	39,326	14,340	1,665,984

13. Operating lease commitments

As at 30 June 2009, the Group had aggregate future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Unaudited As at 30 June 2009 HK\$'000	Audited As at 31 December 2008 HK\$'000
Not later than one year	4,019	3,877
Later than one year and no later than five years	3,859	6,027
	<u>7,878</u>	<u>9,904</u>

14. Related party transactions

	Unaudited Six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Nature of transactions		
Rental income from a subsidiary of a substantial shareholder of the Company	<u>384</u>	<u>480</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

VLT (Video Lottery Terminals) Business

The Group is the exclusive provider of equipment for China Lottery Online (中福在線) ("CLO") video lottery (with authorization by the Ministry of Finance), which is distributed nationwide by China Welfare Lottery Center. After the operational adjustments for about one year and a half, approval has been obtained from the regulatory authorities of the government for four new games, namely Qu Wei Gao Er Fu (趣味高爾夫), Lian Huan Duo Bao (連環奪寶), San Jiang Feng Guang (三江風光) and Hao Yun She Ji (好運射擊) to be launched and sold in the market in July 2009. Of these games, San Jiang Feng Guang and Hao Yun She Ji have been launched and sold in VLT halls nationwide with new sales permit, whereas Qu Wei Gao Er Fu and Lian Huan Duo Bao have been launched and sold in the seven selected provinces including Tianjin, Liaoning, Zhejiang, Shandong, Hubai, Guangdong and Gansu, and will gradually be launched nationwide after obtaining relevant approvals from the government. The payout ratio of the games have been increased to 65%, with their graphics and presentations featuring welfare, health and culture themes to better reflect the function of CLO instant lottery in raising welfare funds for disaster relief use.

High Frequency Lottery Business (Keno)

CLS-GTECH Company Limited, a joint venture company of the Group and GTECH Corporation ("GTECH"), provides system and terminals for Keno, a high frequency lottery game of China welfare lottery. Since state approval was obtained in late 2008 for Keno to roll out in public venues in China, Keno terminals have been connected and the game is sold in seven provinces, namely Hunan, Shandong, Liaoning, Gansu, Sichuan, Hebei and Shanxi. In addition, approval was recently obtained for Jilin province to sell Keno in the third quarter of the year. During the first half of this year, the sales of Keno increased steadily with more provinces approved and more terminals connected. Keno has been proved to be an incremental lottery product by international lottery experience. The Group will actively work with the lottery issuance authorities in accordance with their requirements on system and terminals, to take proactive operational measures for marketing Keno on an on-going basis such as introducing more game varieties on Keno. The management believes that this business will generate long-term and steady revenue for the Group.

Computer-generated Ticket Game (CTG) Business

The Group is the exclusive supplier of traditional CTG betting terminal equipment in Guangdong province, and provides lottery scanners and readers for other companies. Sales revenue of the welfare lottery market (including CTG and other lottery products) in Guangdong province amounted to approximately RMB3.84 billion in the first half of 2009, representing about 21.4% increase as compared with the corresponding period of last year, and is higher than the overall growth of 15.6% for welfare lottery in the first half year, allowing the province to maintain its position as the best-selling province on welfare lottery in China. This business has brought stable cash flow for the Group.

During the second quarter of this year, Guangdong Machinery & Electric Equipment Tendering Center, commissioned by Guangdong Provincial Welfare Lottery Issuance Centre, issued an announcement on the result of an open tender for replacement of lottery betting terminal and procurement of service for the Guangdong Provincial Welfare Lottery Issuance Centre. Guangzhou San Huan Yong Xin Technology Company Limited, a subsidiary of the Company, won the bid, and has just signed a five-year agreement with Guangdong Provincial Welfare Lottery Issuance Centre.

In addition, the Group is actively exploring overseas markets for the newly built multi-functional lottery betting terminals, with an aim to receiving orders from European and Southeast Asian countries.

Other Lottery Business

The Group is collaborating with its strategic partners, namely International Game Technology, GTECH and Electronic Game Card, to develop lottery-related products tailoring for the China market, which will help benefit the China lottery industry in terms of improving the capabilities of research and development of lottery systems and games, as well as the design, manufacture, operation and maintenance of terminals, while also improving and enriching the variety and content of games, introducing technology and management techniques of responsible gaming, thereby contributing to the safe and healthy development of the China lottery market.

Outlook

In the first half of this year, China's lottery market has shown its strong momentum of growth with sales revenue of approximately RMB62.77 billion recorded, representing an increase of about 21.8% as compared with the corresponding period of last year. The Group remains positive and optimistic about the development prospect of China lottery business. As one of the major lottery markets in the world, China is taking steps to catch up with countries with well-developed lottery business, preparing itself to enter an area of rapid development. With the "Lottery Law" (State Council Decree No. 554), which was promulgated on 4 May 2009 and came into effect on 1 July 2009, a well-defined legal framework and more safeguards have been built for China lottery industry, providing greater room and more business opportunities for the next wave of development.

With respect to its existing businesses, as the terminal equipment supplier of CLO video lottery, the Group actively works with China Welfare Lottery Center in carrying out the operational adjustments on VLT and steps are taken to enhance the Group's capabilities of research and development, manufacture and services on VLT. As the exclusive supplier of terminal equipment and system for Keno, a high frequency lottery product under China Welfare Lottery Center running on a nationally unified system, the Group employs its advanced technology and is closely involved in the daily operation of the main transaction system, which has greatly supported the distribution of the product in the provinces. Meanwhile, the Group's operation and maintenance people provide services right to the province by carrying out installation and service training in the province to ensure the proper operation of each terminal. Such effort has been well received by the provinces. As a supplier of traditional CTG betting terminal equipment in Guangdong province, the Group has worked well with Guangdong Provincial Welfare Lottery Centre in the past five years, and received appreciation from the Provincial Centre as well as the city welfare lottery centres. The Group will capture the opportunity of the renewal of terminal provision to Guangdong Welfare Lottery Centre and will further improve and develop its capabilities and proactively explore extending the business to other provinces in China. At the same time, the Group will proactively explore the development of new technologies and development of new channels for lottery, and target to seize new opportunities in emerging markets for the Group on the basis of its welfare lottery mobile information terminal business now being carried out in a pilot province.

The Group will maintain its focus on the China lottery business. It will continue to actively explore new lottery-related business opportunities in China and seek to create new revenue streams by extending to and participating in various parts of the lottery value chain. At the same time, the Group will endeavor to enhance its business portfolio and strengthen its revenue base and profitability by exploring investment opportunities with return potentials, including those businesses that will be in the shareholders' interests and with strategic values, in order to provide long-term and stable returns to its shareholders.

Financial Review

During the period under review, the Group's business performance had been continuously affected by the major adjustments made by CLO video lottery since February 2008. In the first half of 2009, the Group recorded a turnover of approximately HK\$24.78 million (the first half of 2008: HK\$74.09 million) and net loss attributable to equity holders of the Company was approximately HK\$43.05 million (the first half of 2008: HK\$22.94 million).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 30 June 2009, the Group had an outstanding guarantee and indemnity for HK\$30 million (as at 31 December 2008: HK\$30 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.

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 2009 (as at 31 December 2008: Nil).

The Group's total equity amounted to approximately HK\$950.1 million as at 30 June 2009 (as at 31 December 2008: HK\$986.8 million). As at 30 June 2009, net current assets of the Group amounted to approximately HK\$874.2 million (as at 31 December 2008: HK\$865.5 million), including approximately HK\$703.8 million in cash and deposits with banks and financial institution (as at 31 December 2008: HK\$747.7 million).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 30 June 2009 was approximately 46.3% (as at 31 December 2008: 45.5%).

Exposure to Exchange Rates Fluctuation

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, United States dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

Pledge of Asset

As at 30 June 2009, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (as at 31 December 2008: Nil).

Contingent Liabilities

As at 30 June 2009, the Group did not have any material contingent liabilities (as at 31 December 2008: Nil).

Staff

As at 30 June 2009, the Group employed 245 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.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information on Directors are as follows:

Mr. HOONG Cheong Thard, the Non-executive Director of the Company, has been appointed as a director and the president of Tokai Kanko Co. Limited, a company listed in Tokyo, Japan, with effect from 27 March 2009.

Mr. HUANG Shenglan, the Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Symphony Holdings Limited, a company listed in Hong Kong, with effect from 8 July 2009.

Mr. CHAN Ming Fai, the Independent Non-executive Director of the Company, has been appointed as a non-executive director of Advanced Engine Components Limited, a company listed in Australia, with effect from 28 May 2009.

SHARE OPTION SCHEME

As at 30 June 2009, there were options for 276,600,000 shares of HK\$0.0025 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.

Movements of share options granted under the Option Scheme during the six months ended 30 June 2009:

Participants	Date of grant	Exercise price per share HK\$	Exercise period from until		No. of shares under the options			Approximate percentage of the Company's issued share capital
					held as at 1/1/2009	granted during the period	held as at 30/6/2009	
(i) Directors								
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%
							2,400,000	0.032%
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%
							2,400,000	0.032%
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%	
							59,200,000	0.800%

Participants	Date of grant	Exercise price per share HK\$	Exercise period from until		No. of shares under the options			Approximate percentage of the Company's issued share capital
					held as at 1/1/2009	granted during the period	held as at 30/6/2009	
(i) Directors (Cont'd)								
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%
							52,000,000	0.702%
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%
	06/04/2009	0.500	12/09/2009	11/09/2012	-	6,000,000	6,000,000	0.081%
	06/04/2009	0.500	12/09/2010	11/09/2012	-	6,000,000	6,000,000	0.081%
	06/04/2009	0.500	12/09/2011	11/09/2012	-	6,000,000	6,000,000	0.081%
						53,200,000	0.719%	
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%
						2,400,000	0.032%	
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%
						1,800,000	0.024%	

Participants	Date of grant	Exercise price per share HK\$	Exercise period from until		No. of shares under the options granted			Approximate percentage of the Company's issued share capital
					held as at 1/1/2009	during the period	held as at 30/6/2009	
(ii) Continuous contract employees	08/06/2006	0.305	08/06/2007	07/06/2011	8,600,000	-	8,600,000	0.116%
	08/06/2006	0.305	08/06/2008	07/06/2011	11,000,000	-	11,000,000	0.149%
	08/06/2006	0.305	08/06/2009	07/06/2011	11,000,000	-	11,000,000	0.149%
	08/06/2006	0.305	08/06/2010	07/06/2011	11,000,000	-	11,000,000	0.149%
	11/05/2007	0.775	02/05/2008	01/05/2014	1,800,000	-	1,800,000	0.024%
	11/05/2007	0.775	02/05/2009	01/05/2014	1,800,000	-	1,800,000	0.024%
	11/05/2007	0.775	02/05/2010	01/05/2014	1,800,000	-	1,800,000	0.024%
	11/05/2007	0.775	02/05/2011	01/05/2014	1,800,000	-	1,800,000	0.024%
	11/05/2007	0.775	02/05/2012	01/05/2014	1,800,000	-	1,800,000	0.024%
	11/05/2007	0.775	02/05/2013	01/05/2014	3,000,000	-	3,000,000	0.041%
	04/07/2007	0.975	04/07/2008	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2009	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2010	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2011	03/07/2012	400,000	-	400,000	0.005%
	02/10/2007	0.920	01/01/2008	31/12/2011	1,500,000	-	1,500,000	0.020%
	02/10/2007	0.920	01/01/2009	31/12/2011	1,500,000	-	1,500,000	0.020%
	02/10/2007	0.920	01/01/2010	31/12/2011	1,500,000	-	1,500,000	0.020%
	02/10/2007	0.920	01/01/2011	31/12/2011	1,500,000	-	1,500,000	0.020%
	13/11/2007	0.960	01/01/2008	31/12/2011	1,000,000	-	1,000,000	0.014%
	13/11/2007	0.960	01/01/2009	31/12/2011	1,000,000	-	1,000,000	0.014%
	13/11/2007	0.960	01/01/2010	31/12/2011	1,000,000	-	1,000,000	0.014%
	13/11/2007	0.960	01/01/2011	31/12/2011	1,000,000	-	1,000,000	0.014%
	25/08/2008	0.500	11/03/2009	10/03/2013	600,000	-	600,000	0.008%
	25/08/2008	0.500	11/03/2010	10/03/2013	600,000	-	600,000	0.008%
	25/08/2008	0.500	11/03/2011	10/03/2013	600,000	-	600,000	0.008%
	25/08/2008	0.500	11/03/2012	10/03/2013	600,000	-	600,000	0.008%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,550,000	-	2,550,000	0.034%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,550,000	-	2,550,000	0.034%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,550,000	-	2,550,000	0.034%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,550,000	-	2,550,000	0.034%
	06/04/2009	0.500	04/01/2010	03/01/2013	-	400,000	400,000	0.005%
	06/04/2009	0.500	04/01/2011	03/01/2013	-	400,000	400,000	0.005%
	06/04/2009	0.500	04/01/2012	03/01/2013	-	400,000	400,000	0.005%
09/04/2009	0.500	17/08/2009	16/08/2013	-	400,000	400,000	0.005%	
09/04/2009	0.500	17/08/2010	16/08/2013	-	400,000	400,000	0.005%	
09/04/2009	0.500	17/08/2011	16/08/2013	-	400,000	400,000	0.005%	
09/04/2009	0.500	17/08/2012	16/08/2013	-	400,000	400,000	0.005%	
15/06/2009	0.500	15/06/2010	14/06/2015	-	5,000,000	5,000,000	0.068%	
15/06/2009	0.500	15/06/2011	14/06/2015	-	5,000,000	5,000,000	0.068%	
						90,600,000	1.224%	

Participants	Date of grant	Exercise price per share HK\$	Exercise period from until		No. of shares under the options			Approximate percentage of the Company's issued share capital
					held as at 1/1/2009	granted during the period	held as at 30/6/2009	
(iii) Other participants	08/06/2006	0.305	08/06/2008	07/06/2011	4,000,000	-	4,000,000	0.054%
	08/06/2006	0.305	08/06/2009	07/06/2011	4,000,000	-	4,000,000	0.054%
	08/06/2006	0.305	08/06/2010	07/06/2011	4,000,000	-	4,000,000	0.054%
	25/08/2008	0.500	25/08/2009	24/08/2013	150,000	-	150,000	0.002%
	25/08/2008	0.500	25/08/2010	24/08/2013	150,000	-	150,000	0.002%
	25/08/2008	0.500	25/08/2011	24/08/2013	150,000	-	150,000	0.002%
	25/08/2008	0.500	25/08/2012	24/08/2013	150,000	-	150,000	0.002%
							<u>12,600,000</u>	<u>0.170%</u>
Total:					<u>245,800,000</u>	<u>30,800,000</u>	<u>276,600,000</u>	

During the six months ended 30 June 2009, no options were exercised, cancelled or lapsed.

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

As at 30 June 2009, 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 or 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 dealings 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 of the Company

Name of Director	Number of shares				Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests	Total	
LAU Ting	213,155,212(L)	341,407,092(L) <i>(Note 1)</i>	1,629,617,232(L) 23,093,192(S) <i>(Notes 2 & 3)</i>	2,184,179,536(L) 23,093,192(S) <i>(Note 3)</i>	29.51%(L) 0.31%(S)
CHAN Shing	341,407,092(L)	213,155,212(L) <i>(Note 4)</i>	1,629,617,232(L) 23,093,192(S) <i>(Notes 2 & 3)</i>	2,184,179,536(L) 23,093,192(S) <i>(Note 3)</i>	29.51%(L) 0.31%(S)
HUANG Shenglan	4,000,000(L)	-	-	4,000,000(L)	0.05%(L)

Notes:

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 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 Ms. LAU Ting and Mr. CHAN Shing. 42,380,168 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 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 3.34% by Ms. LAU Ting, as to 3.42% by Mr. CHAN Shing and as to 41.48% by Glory Add Limited, a company which was indirectly wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 23,093,192 shares held by Hang Sing were in short positions.
3. As the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other, the figures referred to the same shares.
4. These shares were owned by Ms. LAU Ting.
5. The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

(2) Interests in Underlying Shares of the Company

As at 30 June 2009, certain Directors of the Company had the interests in respect of options to subscribe for the shares of the Company under the Option Scheme. Details of their interests in the share options of the Company are separately disclosed in the section "Share Option Scheme".

Save as otherwise disclosed above, as at 30 June 2009, 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 2009, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (not being the Directors and chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company:

(1) Interests in Shares of the Company

Name of Shareholder	Number of shares				Approximate percentage of 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.	-	-	1,419,630,800(L)	1,419,630,800(L) (Note 2)	19.18%(L)
Passport Capital, LLC	-	1,419,630,800(L)	-	1,419,630,800(L) (Note 2)	19.18%(L)
Passport Management, LLC	-	1,419,630,800(L)	-	1,419,630,800(L) (Note 2)	19.18%(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)

Name of Shareholder	Number of shares				Approximate percentage of the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests	Total	
Ward Ferry Management (BVI) Limited	-	730,322,000(L)	-	730,322,000(L) (Note 3)	9.87%(L)
Legg Mason Inc	-	474,976,000(L)	-	474,976,000(L) (Note 4)	6.42%(L)
JPMorgan Chase & Co.	-	452,936,346(L) 444,816,000(P)	-	452,936,346(L) 444,816,000(P) (Note 5)	6.12%(L) 6.01%(P)
Passport Special Opportunities Master Fund, LP	448,910,000(L)	-	-	448,910,000(L) (Note 2)	6.06%(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 and Passport Special Opportunities Master Fund, LP. 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 in turn was wholly-owned by LM International Holding LP. LM International Holding LP was wholly-owned by Legg Mason International Holdings II, LLC, a company which was wholly-owned by Legg Mason Inc.
5. 444,816,000 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co.. 8,120,346 shares, represented the long position shares, were held by JPMorgan Asset Management (UK) Limited which in turn was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, a company which was wholly-owned by JPMorgan Asset Management International Limited. And JPMorgan Asset Management International Limited was wholly-owned by JPMorgan Asset Management Holdings Inc., which in turn was wholly-owned by JPMorgan Chase & Co..
6. The letter “L” denotes long position(s) and the letter “P” denotes lending pool(s).

(2) Interests in Underlying Shares of the Company

As at 30 June 2009, 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 June 2009, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or 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 members of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30 June 2009.

COMPETING INTERESTS

The Board believes 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's Audit Committee currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The unaudited interim results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee.

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 2009, except for the deviations from Code provisions A2.1, A4.1 and A4.2.

The Chairman of the Company, Ms. LAU Ting, currently also assumes the role of the chief executive officer. Although the Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that given the nature of the Group's businesses which requires considerable market expertise, the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

Although a majority of the Non-executive Directors of the Company are not appointed for a specific term as is stipulated in Code provision A.4.1, all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company. 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. The Chairman is not subject to retirement by rotation as is stipulated in Code provision A.4.2 as the Board considers 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 considers appropriate.

REQUIRED STANDARD OF DEALING 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 Code of Conduct during the six months ended 30 June 2009.

On behalf of the Board

LAU Ting
Chairman

Hong Kong, 14 August 2009

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