



China
LotSynergy 2010 First Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 8161



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

RESULTS (UNAUDITED)

The board of directors (the "Board" or the "Directors") of China LotSynergy Holdings Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2010, together with the comparative unaudited figures for the corresponding period in 2009, as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Three months ended	
		31 March	
	<i>Notes</i>	2010	2009
		HK\$'000	HK\$'000
Turnover	2	43,661	11,574
Costs of sales and services	3	(10,889)	(11,936)
Gross profit/(loss)		32,772	(362)
Other income and gains	4	1,699	3,129
General and administrative expenses		(28,054)	(21,991)
Finance costs	5	(7,050)	(6,606)
Share option expenses		(3,777)	(3,184)
Operating loss	6	(4,410)	(29,014)
Share of losses of jointly-controlled entities		(2,950)	(2,446)
Loss before income tax		(7,360)	(31,460)
Income tax	7	(1,084)	(49)
Loss for the period		(8,444)	(31,509)
Attributable to:			
Equity holders of the Company		(18,694)	(27,307)
Minority interests		10,250	(4,202)
		(8,444)	(31,509)
Loss per share attributable to the equity holders of the Company during the period			
– basic	8	(0.25) HK cents	(0.37) HK cents
– diluted	8	(0.25) HK cents	(0.37) HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Loss for the period	(8,444)	(31,509)
Other comprehensive income:		
Fair value loss on available-for-sale financial assets	(710)	–
Currency translation differences	18	–
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	(692)	–
	<hr/>	<hr/>
Total comprehensive income for the period	<u>(9,136)</u>	<u>(31,509)</u>
Attributable to:		
Equity holders of the Company	(19,386)	(27,307)
Minority interests	10,250	(4,202)
	<hr/>	<hr/>
Total comprehensive income for the period	<u>(9,136)</u>	<u>(31,509)</u>

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

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 2009.

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 2010. The adoption of such standards, amendment and interpretations did not have material effect on these results.

2. Turnover

The Group is principally engaged in the business of the provision of lottery systems, game products, terminal equipment and related technologies and marketing services to the public welfare lottery market in China. An analysis of the Group’s turnover for the periods is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2010	2009
	HK\$’000	HK\$’000
Turnover		
Income from provision of lottery terminals	43,419	9,027
Income from sales of equipment	60	2,547
Income from provision of consultancy services	182	–
	43,661	11,574

3. Costs of sales and services

	Unaudited Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Depreciation of lottery terminals	7,387	8,468
Business tax	2,220	451
Cost of inventories recognised as expense	28	929
Other costs of sales and services	1,254	2,088
	<u>10,889</u>	<u>11,936</u>

4. Other income and gains

	Unaudited Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	1,154	209
Dividend income on financial assets at fair value through profit or loss	–	154
Interest income from bank deposits	401	2,526
Rental income	144	240
	<u>1,699</u>	<u>3,129</u>

5. Finance costs

	Unaudited Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Imputed interest expense on convertible note (Note)	6,916	6,606
Interest expense on bank borrowing	134	–
	<u>7,050</u>	<u>6,606</u>

Note: 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	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Operating loss is stated after charging:		
Staff costs (excluding share option expenses)	13,163	9,973
Amortisation of intangible assets	1,632	1,632
Depreciation of other items of property, plant and equipment	1,275	908
	<u>1,275</u>	<u>908</u>

7. Income tax

	Unaudited	
	Three months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Current tax		
– People's Republic of China ("PRC") Enterprise Income Tax	1,421	367
Deferred tax	(337)	(318)
	<u>1,084</u>	<u>49</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 2010 (2009: Nil).

8. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company of approximately HK\$18,694,000 (2009: HK\$27,307,000) by the weighted average number of 7,402,164,000 ordinary shares in issue (2009: 7,402,164,000 ordinary shares) during the period.

The computation of diluted loss per share for the three months ended 31 March 2009 and 2010 has not assumed the conversion of convertible note and exercise of share options because their conversion and exercise during the periods would reduce the loss per share.

9. Share capital

	Unaudited	
	Authorised ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
As at 1 January 2010 and 31 March 2010	<u>16,000,000,000</u>	<u>40,000</u>

	Unaudited	
	Issued and fully paid ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
As at 1 January 2010 and 31 March 2010	<u>7,402,164,000</u>	<u>18,505</u>

10. Reserves and accumulated losses

	Unaudited								
	Three months ended 31 March 2009								
	Share premium	Convertible note	Capital reserve	Currency translation reserve	Share-based compensation reserve	Revaluation reserve	Available- for-sale investments	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January 2009	1,546,166	20,080	15,158	31,257	36,145	11,974	(12,860)	(795,177)	852,743
Loss for the period	-	-	-	-	-	-	-	(27,307)	(27,307)
Share option scheme:									
- value of employee services	-	-	-	-	3,075	-	-	-	3,075
- value of other participants' services	-	-	-	-	109	-	-	-	109
Balance as at 31 March 2009	<u>1,546,166</u>	<u>20,080</u>	<u>15,158</u>	<u>31,257</u>	<u>39,329</u>	<u>11,974</u>	<u>(12,860)</u>	<u>(822,484)</u>	<u>828,620</u>

10. Reserves and accumulated losses (Cont'd)

	Unaudited								
	Three months ended 31 March 2010								
	Share premium	Convertible note	Capital reserve	Currency translation reserve	Share-based compensation reserve	Revaluation reserve	Available-for-sale investments	Accumulated losses	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January 2010	1,546,166	20,080	15,158	31,317	46,696	11,974	3,029	(876,657)	797,763
Loss for the period	-	-	-	-	-	-	-	(18,694)	(18,694)
Share option scheme:									
- value of employee services	-	-	-	-	3,735	-	-	-	3,735
- value of other participants' services	-	-	-	-	42	-	-	-	42
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(710)	-	(710)
Currency translation differences									
- overseas jointly controlled entities	-	-	-	18	-	-	-	-	18
Balance as at 31 March 2010	<u>1,546,166</u>	<u>20,080</u>	<u>15,158</u>	<u>31,335</u>	<u>50,473</u>	<u>11,974</u>	<u>2,319</u>	<u>(895,351)</u>	<u>782,154</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Business of the Group has maintained good momentum since 2009. On CTG and video lottery businesses, the Group has continuously enhanced the standard of project management and technological innovation capabilities while maintaining close cooperation with leaders in the global lottery industry. On mobile lottery business, with numerous substantial breakthroughs achieved, the Group has maintained its technical leading position in the industry and won high praise among its partners as well as technical cooperation opportunities.

Video Lottery Business

VLT Business

The Group is the exclusive equipment provider for Welfare Lottery's video lottery product (VLT), which is a nationwide game approved by the Ministry of Finance of China and issued by China Welfare Lottery Centre ("CWLC"). The new games offered on VLT, approved to launch nationwide in 2009, are running in a stable fashion and well received by the market while new sales halls are being added. According to sales figures published by Ministry of Finance, sales of VLT in January and February in 2010 combined have reached RMB799 million, or 6.39% of the total sales of welfare lotteries in China, which represents a substantial growth over the same period of last year. Currently, average daily sales of VLT nationwide have exceeded RMB20 million. The Group has enhanced its technical strength as well as project management standard on video lottery with a dedicated and increasingly developed management team.

CTG and High Frequency Lottery Business

CTG Business

The Group is the exclusive supplier of Welfare Lottery CTG betting terminal equipment to Guangdong province, and a supplier of Welfare Lottery CTG betting terminal equipment to Shenzhen, and supplies core components including lottery ticket scanners and readers to other customers. Currently, Guangdong province continues to maintain its position as the leading welfare lotteries selling province in China. Sales of welfare lotteries in Guangdong Province in January and February in 2010 combined have increased by 40% over the same period of last year, which is substantially higher than the Welfare Lottery nationwide corresponding increase of 31%. This business has consistently contributed stable cash flow to the Group. Furthermore, the Group is actively exploring overseas markets for its new multifunction lottery betting terminals.

Keno High Frequency Lottery Business

CLS-GTECH Company Limited, a joint venture company between the Group and GTECH Corporation, provides the system and terminals for KENO, the Welfare Lottery's nationwide high frequency product. Sales of Keno have increased steadily. The forthcoming important task of the Group is to assist proactively with the marketing and operational initiatives of the issuance authority to broaden game offerings on Keno by providing strong support on system and terminal equipment. Management believes this business will become a distinct long-term stable revenue stream for the Group.

Mobile Lottery Business

The Group is among the earliest technology providers to provide mobile lottery service in China. With several contracts obtained in 2009 for provision of mobile technology, the Group made significant breakthrough in mobile lottery technology and developed multi-function mobile lottery platforms for different mobile platform and handset products. The Group's strength in mobile lottery business has been well recognized by its partners. On 24 March, a subsidiary of the Group entered into an agreement with Vogins Network Technology Co. Ltd. to cooperate on mobile lottery by adding mobile lottery business software in Vogin's software platform. Vogins is a subsidiary of MediaTek Inc., world-renowned mobile phone chip producer, currently grabbing the biggest share of the China market. Under the agreement, Vogin's software download platform is preloaded in MediaTek's mobile phone chips being delivered now.

Other Lottery Business

The Group is collaborating with its strategic partners to develop a wide variety of lottery-related products tailored to the China market, to help enhance the capabilities of the China lottery industry in areas such as R & D of systems and games, design and manufacture of terminal equipment, and operation & maintenance, to improve and enrich the variety and content of games, as well as to introduce the technology and management techniques of responsible lottery, thereby fostering the safe and healthy development of the lottery market in China.

Outlook

In 2010, we expect to see continued strong growth momentum in the China lottery market. The Group remains optimistic about the prospects of lottery development in China.

The Group will explore the market in light of the status and development of its principal businesses. As the terminal equipment supplier for the Welfare Lottery's video lottery product VLT, and as the exclusive supplier of terminal equipment and system for Keno, the Welfare Lottery's high frequency product run on a nationwide unified system, the Group will assist CWLC in its various initiatives in 2010 with enhanced technical capability and improved operation & maintenance service. As the supplier of Welfare Lottery CTG betting terminal equipment to Guangdong province and Shenzhen, the Group will work toward further development of the business. Good progress will be seen in the development of mobile lottery business, where the Group has developed strong technical and market development capabilities, and made business development planning for greater involvement in the business value chain. Cooperation with major telecommunication operators, banks and financial institutions, and mobile phone manufacturers in China will commence in the near future, which is expected to lead to good results.

The Group will continue to focus on the lottery business in China, proactively seeking and making attempts on the development of new lottery technologies as well as new distribution channels, while working closely with its strategic partners to capture opportunities in emerging markets with the aim to create new revenue streams. Meanwhile, the Group will identify potentially profitable investment opportunities, including businesses in shareholders' interests and with strategic values, enhance its business portfolio, strengthen its revenue base and profitability, so as to provide long-term and stable returns to its shareholders.

Financial Review

In the first quarter of 2010, the Group recorded a turnover of approximately HK\$43.7 million (first quarter of 2009: approximately HK\$11.6 million), representing an increase of approximately 277% over the same period of last year. Loss attributable to equity holders for the period amounted to approximately HK\$18.7 million, as compared with the loss of approximately HK\$27.3 million in the first quarter of 2009.

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

As at 31 March 2010, the interests and short positions of the Directors and chief executives 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 standard 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 Directors	Number of shares			Total	Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests		
LAU Ting	259,974,373(L)	389,286,426(L)	867,762,948(L)	1,517,023,747(L)	20.49%(L)
		<i>(Note 1)</i>	23,093,192(S) <i>(Notes 2 & 3)</i>	23,093,192(S) <i>(Note 3)</i>	0.31%(S)
CHAN Shing	389,286,426(L)	259,974,373(L)	867,762,948(L)	1,517,023,747(L)	20.49%(L)
		<i>(Note 4)</i>	23,093,192(S) <i>(Notes 2 & 3)</i>	23,093,192(S) <i>(Note 3)</i>	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. 147,162,496 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. 137,735,546 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 580,932,594 shares were held by Glory Add Limited ("Glory Add") which was wholly-owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 shares were held by Burwill Holdings Limited ("Burwill") of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. 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

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
					held as at 1/1/2010	movement during the period	held as at 31/3/2010	
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%

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options movement			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2010	during the period	held as at 31/3/2010	
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	800,000	-	800,000	0.011%
	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%
	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%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,400,000	-	3,400,000	0.046%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,400,000	-	3,400,000	0.046%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,400,000	-	3,400,000	0.046%
02/10/2009	0.500	01/09/2013	31/08/2014	3,400,000	-	3,400,000	0.046%	
							59,200,000	0.800%
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	2,800,000	-	2,800,000	0.038%
	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%
	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%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,500,000	-	3,500,000	0.047%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,500,000	-	3,500,000	0.047%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,500,000	-	3,500,000	0.047%
	02/10/2009	0.500	01/09/2013	31/08/2014	3,500,000	-	3,500,000	0.047%
							52,000,000	0.702%

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options movement			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2010	during the period	held as at 31/3/2010	
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%

Note:

All interests in underlying shares were in long positions.

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executives 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 standard 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 31 March 2010, 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 executives 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	
Burbank John H.	-	-	1,181,870,800(L)	1,181,870,800(L) <i>(note 1)</i>	15.97%(L)
Passport Capital, LLC	-	1,181,870,800(L)	-	1,181,870,800(L) <i>(note 1)</i>	15.97%(L)
Passport Management, LLC	-	1,181,870,800(L)	-	1,181,870,800(L) <i>(note 1)</i>	15.97%(L)
Atlantis Investment Management Limited	-	883,003,000(L)	-	883,003,000(L) <i>(note 2)</i>	11.93%(L)
Liu Yang	-	883,003,000(L)	-	883,003,000(L) <i>(note 2)</i>	11.93%(L)

Name of Shareholder	Number of shares			Total	Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests		
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy	732,960,800(L)	–	–	732,960,800(L) <i>(note 1)</i>	9.90%(L)
Ward Ferry Management (BVI) Limited	–	730,322,000(L)	–	730,322,000(L) <i>(note 3)</i>	9.87%(L)
JP Morgan Chase & Co.	–	633,208,346(L) 621,216,000(P)	–	633,208,346(L) 621,216,000(P) <i>(note 4)</i>	8.55%(L) 8.39%(P)
Favor King Limited	–	–	582,864,906(L)	582,864,906(L) <i>(note 5)</i>	7.87%(L)
Legg Mason Inc	–	474,976,000(L)	–	474,976,000(L) <i>(note 6)</i>	6.42%(L)
Passport Special Opportunities Master Fund, LP	448,910,000(L)	–	–	448,910,000(L) <i>(note 1)</i>	6.06%(L)
International Game Technology	373,600,000(L)	–	–	373,600,000(L)	5.05%(L)

Notes:

1. 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.
2. Ms. Liu Yang held the interest through Atlantis Investment Management Limited and Atlantis Investment Management (Hong Kong) Limited. These shares represent the same block of interest held by Atlantis Investment Management Limited and Ms. Liu Yang.
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. 621,216,000 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co.. 11,992,346 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..
5. 1,932,312 shares were held by Burwill and 580,932,594 shares were held by Glory Add. These shares formed part of the interests of Ms. LAU Ting and Mr. CHAN Shing.
6. 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.
7. The letter “L” denotes long position(s) and the letter “P” denotes lending pool(s).

(2) Interests in Underlying Shares

As at 31 March 2010, 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 2010, there was no person (other than the Directors and chief executives 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 31 March 2010.

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 Audit Committee of the Company 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 first quarterly results of the Group for the three months ended 31 March 2010 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting
Chairman

Hong Kong, 26 April 2010

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.