

2013 First Quarterly Report

China **LotSynergy**

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 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

QUARTERLY FINANCIAL STATEMENTS

The board of directors (the “Board” or the “Directors”) of China LotSynergy Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Three months ended	
		31 March	
	<i>Notes</i>	2013	2012
		HK\$'000	HK\$'000
Turnover	2	171,689	154,787
Costs of sales and services	3	(44,633)	(28,664)
Gross profit		127,056	126,123
Other income and gains	4	4,696	2,162
General and administrative expenses		(37,956)	(42,840)
Share option expenses		(2,917)	(426)
Operating profit	5	90,879	85,019
Finance costs	6	(4,641)	(4,762)
Share of losses of jointly-controlled entities		(1,203)	(718)
Profit before income tax		85,035	79,539
Income tax	7	(16,177)	(16,039)
Profit for the period		68,858	63,500
Profit attributable to:			
Owners of the Company		23,524	22,677
Non-controlling interests		45,334	40,823
		68,858	63,500
Earnings per share attributable to owners of the Company during the period			
— basic	8	0.32 HK cents	0.31 HK cents
— diluted	8	0.31 HK cents	0.30 HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	68,858	63,500
Other comprehensive (expense)/income:		
Fair value loss on available-for-sale financial assets	(1,299)	(1,877)
Currency translation differences	5,284	129
Other comprehensive income/(expense) for the period	3,985	(1,748)
Total comprehensive income for the period	<u>72,843</u>	<u>61,752</u>
Attributable to:		
Owners of the Company	25,416	20,929
Non-controlling interests	47,427	40,823
Total comprehensive income for the period	<u>72,843</u>	<u>61,752</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated results have been prepared in accordance with Hong Kong Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules of 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 2012.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2013. The adoption of such standards, amendments and interpretations did not have material effect on these results.

2. TURNOVER

The Group is a technology and operation service provider of lottery systems, terminal equipment and game products in the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and KENO-type lottery, to new media lottery. An analysis of the Group's turnover for the periods is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Turnover		
Income from provision of lottery terminals and lottery sales channels	171,166	153,794
Income from sales of equipment	489	929
Income from provision of consultancy services	34	64
	<u>171,689</u>	<u>154,787</u>



3. COSTS OF SALES AND SERVICES

	Unaudited Three months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Depreciation of lottery terminals	15,229	6,872
Business tax	9,041	8,379
Cost of inventories recognised as expense	183	343
Repairs and maintenance	447	1,079
Commission	11,194	8,031
Handling charges	5,568	399
Other costs of sales and services	2,971	3,561
	<u>44,633</u>	<u>28,664</u>

4. OTHER INCOME AND GAINS

	Unaudited Three months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Fair value adjustment of contingent consideration	—	1,206
Interest income from bank deposits	4,696	956
	<u>4,696</u>	<u>2,162</u>

5. OPERATING PROFIT

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Operating profit is stated after charging:		
Staff costs (excluding share option expenses)	21,494	22,291
Amortisation of intangible assets	1,632	1,632
Depreciation of other items of property, plant and equipment	1,943	2,028
Foreign exchange differences, net	(5,953)	192
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Interest expense on bank borrowings wholly repayable within five years	4,641	2,997
Imputed interest expense on convertible note	—	1,765
	<u> </u>	<u> </u>
	<u>4,641</u>	<u>4,762</u>



7. INCOME TAX

	Unaudited Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Current tax		
— People's Republic of China ("PRC") Enterprise Income Tax	17,194	16,546
Deferred tax		
— Origination and reversal of temporary differences	(1,017)	(507)
	<u>16,177</u>	<u>16,039</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the three months ended 31 March 2013 (2012: Nil).

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Unaudited Three months ended 31 March	
	2013	2012
Profit attributable to owners of the Company (HK\$'000)	<u>23,524</u>	<u>22,677</u>
Weighted average number of ordinary shares in issue	<u>7,452,584,666</u>	<u>7,411,964,000</u>
Basic earnings per share	<u>0.32 HK cents</u>	<u>0.31 HK cents</u>

8. EARNINGS PER SHARE (CONT'D)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
Profit attributable to owners of the Company (HK\$'000)	<u>23,524</u>	<u>22,677</u>
Weighted average number of ordinary shares in issue	7,452,584,666	7,411,964,000
Effect of dilutive potential ordinary shares:		
— Share options	55,142,356	—
— Contingent consideration shares	<u>8,888,154</u>	<u>70,972,666</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>7,516,615,176</u>	<u>7,482,936,666</u>
Diluted earnings per share	<u>0.31 HK cents</u>	<u>0.30 HK cents</u>

The computation of diluted earnings per share for the three months ended 31 March 2012 has not assumed the conversion of convertible note and the exercise of share options because their conversion and exercise would increase the earnings per share.

9. SHARE CAPITAL

	Unaudited	
	Authorised ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2013 and 31 March 2013	<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>
At 1 January 2013 and 31 March 2013	<u>7,452,584,666</u>	<u>18,631</u>

10. RESERVES AND RETAINED PROFITS

	Share premium HK\$'000	Convertible note HK\$'000	Capital reserve HK\$'000	Unaudited Three months ended 31 March 2013				Available-for-sale investments HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000				
Balance as at 1 January 2013	739,973	—	15,158	51,755	40,512	11,351	7,728	196,344	1,062,821	
2012 proposed final dividend	—	—	—	—	—	—	—	(13,415)	(13,415)	
Profit for the period	—	—	—	—	—	—	—	23,524	23,524	
Share option scheme:										
— value of employee services	—	—	—	—	2,234	—	—	—	2,234	
— value of other participants' services	—	—	—	—	683	—	—	—	683	
— vested share options expired	—	—	—	—	(294)	—	—	294	—	
Release of revaluation reserve upon depreciation of leasehold land and building	—	—	—	—	—	(60)	—	60	—	
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(1,299)	—	(1,299)	
Currency translation differences										
— overseas subsidiaries	—	—	—	2,572	—	—	—	—	2,572	
— overseas jointly controlled entities	—	—	—	619	—	—	—	—	619	
Balance as at 31 March 2013	<u>739,973</u>	<u>—</u>	<u>15,158</u>	<u>54,946</u>	<u>43,135</u>	<u>11,291</u>	<u>6,429</u>	<u>206,807</u>	<u>1,077,739</u>	
				Unaudited Three months ended 31 March 2012						
	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	Retained profits HK\$'000	Total HK\$'000	
Balance as at 1 January 2012	735,484	11,670	15,158	51,591	46,460	11,653	5,462	109,896	987,374	
Profit for the period	—	—	—	—	—	—	—	22,677	22,677	
Share option scheme:										
— value of employee services	—	—	—	—	424	—	—	—	424	
— value of other participants' services	—	—	—	—	2	—	—	—	2	
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(1,877)	—	(1,877)	
Currency translation differences										
— overseas jointly controlled entities	—	—	—	129	—	—	—	—	129	
Balance as at 31 March 2012	<u>735,484</u>	<u>11,670</u>	<u>15,158</u>	<u>51,720</u>	<u>46,886</u>	<u>11,653</u>	<u>3,585</u>	<u>132,573</u>	<u>1,008,729</u>	

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged as a technology and operation service provider of lottery systems, terminal equipment and game products for the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game (“CTG”) and KENO-type lottery to new media lottery. With technical competencies, effective operational management and sound corporate governance, the Group has established a solid foundation and a reputable brand name providing the Group with comprehensive capability for sustainable development in the industry.

China Lottery Performance

Steady growth was maintained in the lottery market in China in the first quarter of 2013, with total sales of lottery amounting to RMB69.06 billion, representing 14.6% growth year on year (“YOY”). Welfare Lottery and Sports Lottery contributed RMB40.27 billion and RMB28.79 billion respectively, up 14.1% and 15.3% YOY respectively. All lottery types showed double digit sales growth except Scratch Cards in both lotteries. The top three fastest growing lottery types were Welfare Video Lottery, Sports CTG and Sports Single Match Game, which grew 38.0%, 23.4% and 16.2% YOY respectively.

Business Review and Outlook

All business segments of the Group progressed favourably in the first quarter of 2013 in line with its expectations. VLT continued to make the spotlight with the highest sales growth. Sales of VLT hit new record high attributable to the third-generation terminal, in mass production by the Group, being deployed and connected across the provinces on an ongoing basis. On CTG, the Group is doing preparatory work for providing services to the newly secured Chongqing Welfare Lottery while continuing to provide premium services to Guangdong Welfare Lottery. Further, the Group was officially selected as an approved provider of CTG terminal for Sports Lottery in the quarter under review. Work in relation to the sales of Sports CTG terminal has commenced. Meanwhile, the Group's persistent efforts in the new media lottery business covering telephone lottery and new type lottery have continued. The Group will strengthen its ties with financial institutions, telecom operators and lottery authorities, as well as make preparations in manpower and technology for the next stage.

Video Lottery Business

China Welfare Lottery Video Lottery (VLT) Business

Taking high technology as its carrier, VLT has played a vital role in the China lottery industry. The Group is the exclusive equipment provider for VLT. Sales of VLT amounted to RMB6.64 billion in the first quarter of 2013, up 38% YOY, which was substantially higher than the overall industry growth of 14.6% YOY in the same period. The average daily sales per terminal of VLT exceeded RMB3,500, up 23.3% YOY. That made VLT the fastest growing lottery type of all in the country and made it a truly vivid product with strong potential. The top five VLT provinces by sales in the first quarter of 2013 were Zhejiang (RMB868 million), followed by Shandong (RMB653 million), Jiangsu (RMB549 million), Guangdong (RMB541 million) and Hubei (RMB430 million). VLT contributed over 20% of the total sales of Welfare lottery games in Anhui, Zhejiang, Shandong, Hubei, Hunan, Guangxi, Fujian and Gansu. On the other hand, sales of VLT achieved over 50% YOY growth in Guizhou, Hainan, Sichuan, Yunnan, Gansu, Inner Mongolia, Heilongjiang and Qinghai. Undoubtedly, VLT has become a key growth driver for Welfare Lottery in the provinces.

As at 31 March 2013, the Group had delivered, on a cumulative basis, approximately 21,000 units of the third-generation terminals to the provinces as required by China Welfare Lottery Centre ("CWLC"). In the meantime, the Group is working closely with both CWLC and provincial welfare lottery centres on system registration, testing and upgrade without affecting the operation of the venues in accordance with the deployment arrangement of CWLC. It is expected that the Group will complete the delivery of a total number of 27,000 units of the third-generation terminals in the second quarter of this year. By then, all the remaining first-generation terminals will have been replaced, and the third-generation terminals will be available in all VLT venues.

With the substantial increase in lottery funds attributable to higher sales, more public welfare initiatives including social security and charitable programs have been launched, benefitting more individuals and disadvantaged groups in need. In the first quarter of 2013, various programs and events were implemented by welfare lottery authorities in the provinces, including Zibo City and Jining City in Shandong, Nantong City in Jiangsu, Shenyang City in Liaoning, and Chongqing. The programs and events received favorable comments from all walks of life and further promoted the culture and values of welfare lottery: public welfare, charity, health, happiness and innovation.

CTG and KENO-type Lottery Business

CTG Business

Total sales of Welfare CTG countrywide were RMB29.5 billion in the first quarter of 2013. Guangdong remained the top performing province in Welfare Lottery. In CTG alone, the province made RMB2.5 billion sales representing an increase of 1.8% YOY. The Group is the exclusive terminal provider of CTG to the province's Welfare Lottery. The Group has continuously rolled out CTG terminals to developed regions including Guangzhou, Dongguan and Foshan since the second quarter of 2012 as an effort to assist Guangdong Welfare Lottery to maintain further growth in sales to secure its leading position as the top performing province in Welfare Lottery. On this basis, the Group provided an additional 200 units of CTG terminals in the first quarter of 2013. It is expected that Guangdong Welfare Lottery will be able to maintain double-digit sales growth this year.

Guangzhou San Huan Yong Xin Technology Company Limited (“GZSH”), a subsidiary of the Group, is in close discussion with Chongqing Welfare Lottery Centre on preparation work for the provision of more than 2,700 units of CTG terminals including production, delivery, connection, deployment and technical services. The terminals are expected to be connected and contribute revenue on sales turnover-sharing basis to the Group from the middle of this year. GZSH also provides terminal maintenance service to Shenzhen Welfare Lottery Centre. As certain provincial supply contracts of Welfare CTG system and terminal will fall due in 2013, the Group will endeavour to secure such business opportunities with its competitive advantages in terminal product and vertical integration.

Guangzhou Lottnal Terminal Company Limited (“GZL”), a subsidiary of the Group, remains a premium provider of lottery terminals and readers to a number of lottery companies local and abroad. Additionally, GZL was officially selected as an approved CTG terminal provider for Sports Lottery in the first quarter of 2013 with its three terminal types including the standard type, the economy type and portable type included in the CTG terminal purchase catalogue of China Sports Lottery Centre. The Group is set to commence sales of Sports CTG terminal to the provinces.

KENO-type Lottery Business (KENO)

Total sales of KENO in the first quarter of 2013 were down from the previous year impacted by other local high frequency games with higher payout ratio offered by provincial lottery authorities. However, the average daily sales per terminal of KENO reflect the vitality of the KENO game type. KENO has been selected as a priority lottery product in the 12th Five Year Plan of Welfare Lottery after CTG, VLT and Scratch Card. They form the four main lottery types in Welfare Lottery. Further, CWLC has assigned the responsibility for the marketing and sales of KENO to the business division in charge of CTG and high frequency games. The Group believes that with a new payout ratio and adoption of a flexible business model such as co-location arrangement will provide the catalyst for KENO to break the development bottleneck and grow rapidly.

New Media Lottery Business

Telephone lottery business:

In the first quarter of 2013, the Group made further promotional efforts with channel partners including financial institutions and telecom operators. A variety of promotional activities were carried out on different platforms such as mobile client-end, collaborative channels and Tencent's Wechat, contributing to steady growth in sales. Telephone lottery sales in the first quarter of 2013 recorded an increase of 260% YOY, or an increase of 11% compared to the fourth quarter of 2012.

The Group entered into a cooperative agreement with Shanghai Pudong Development Bank in the first quarter of 2013 to pre-install a mobile lottery client-end programme for its mobile banking customers. This represents another extensive cooperation between the Group and financial institutions after Bank of Communications, China Merchant Bank, Bank of China, and China UnionPay. While new business opportunities such as this are pursued, the sales performance with existing partners, notably China Merchant Bank and Bank of Communications, have grown rapidly. The Group continued to maintain close partnership with the country's three telecom operators, especially China Mobile, where sales recorded a YOY growth of more than 30%.

Looking into the second quarter of 2013, the Group will reinforce its cooperation with provincial lottery authorities and telecom operators, as well as extend the scope of cooperation with financial institutions. Meanwhile, the Group will put more emphasis on team-building and technical preparations to ensure improvement in its new media lottery platform for sustainable business growth.

New type lottery business:

In the first quarter of 2013, the Group continued its extensive cooperation with the relevant lottery authorities in new type lottery business by proactively assisting in the construction of related systems, research and development of game products, and establishment of management practices.

The Group made improvements and enhancements to the system according to the technical requirements and standards of lottery authorities. Meanwhile, the Group assisted the relevant authorities in formulating marketing campaign aimed at developing new players to lottery targeting middle to high income earners through comprehensive and interactive new media marketing initiatives.

Preparation work for the Group's new type lottery business is moving forward as scheduled. The Group believes that the new type lottery products will become the next growth driver in the lottery market in China.

Conclusion

The performance of the lottery market in China in 2012 and the first quarter of 2013 reveal a slowdown in growth rate in the overall market except certain products such as VLT and SMG where strong growth was maintained. The momentum to overcome such bottleneck is understandably to come from innovation in both new lottery types and new distribution channels. While these are necessary steps toward a mature lottery market, they represent the rationale for MOF to commit to the development of Internet and telephone distribution of lottery putting in place regulations, guidance and implementation details in a staged manner. In mid-Jan of 2013, MOF announced the amended Administrative Measures on Lottery Distribution and Sales (《彩票發行銷售管理辦法》) (the "Measures") with effect from 1 January 2013. As an important addendum to the Regulations on the Administration of Lottery (《彩票管理條例》) and the Implementation Details (《實施細則》), the Measures set out clear provisions on the management of lottery distribution and sales, management of lottery type, equipment and venues, technical service, prize management, reporting and notices, as well as supervision and inspection. It is also explicitly provided in the Measures that the Internet and self-assisted vending terminals are approved channels to distribute lottery in addition to physical outlets and telephone.

The businesses of the Group are conducted in accordance with the State's planning and regulation on lottery development. Having exceeded a certain earnings threshold for third straight years, the Group submitted its application for the transfer of listing to the Main Board of the Stock Exchange of Hong Kong recently. If successful, the Company will be the first local lottery company to move its listing to the Main Board from the GEM Board. As a major participant in the China lottery market, the Group will continue to enhance its technological and business capabilities adhering to its corporate values of striving to be "professional, practical and innovative". In doing so, we will overcome difficulties and capture opportunities to lay a solid foundation for long term development and repay our shareholders with greater results.

Financial Review

In the first quarter of 2013, the Group recorded a turnover of approximately HK\$171.7 million (first quarter of 2012: approximately HK\$154.8 million), representing an increase of approximately 11% over the same period of last year. The continuing increase in average daily sales per terminal of VLT across the provinces as compared with the same period of last year has offset the financial impact brought by the adjustment of VLT service fee made in the second quarter of last year. The Group recorded approximately HK\$23.5 million profit attributable to owners of the Company in the first quarter of 2013, as compared with approximately HK\$22.7 million profit attributable to owners of the Company in the same period of last year.

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

As at 31 March 2013, 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 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) 23,093,192(S)	1,517,023,747(L) 23,093,192(S)	20.36%(L) 0.31%(S)
				(Note 1)	
WU Jingwei	20,000,000(L)	—	—	20,000,000(L)	0.27%(L)
LI Zi Kui	6,500,000(L)	—	—	6,500,000(L)	0.09%(L)
HUANG Shenglan	4,000,000(L)	—	—	4,000,000(L)	0.05%(L)

Notes:

- For the corporate interests, 147,162,496 shares, includes abovementioned 23,093,192 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 of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. The shares of the family interests were owned by Mr. CHAN Shing. As Mr. CHAN Shing is the spouse of Ms. LAU Ting, the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

(2) Interests in Underlying Shares of the Company

Participants	Date of grant	Exercise price per share HK\$	Exercise period from	Exercise period until	held as at 1/1/2013	No. of shares under the options				held as at 31/3/2013	Approximate Percentage of the Company's issued share capital
						granted during the period	exercised during the period	cancelled during the period	lapsed during the period		
Directors											
LAU Ting	13/11/2012	0.109	13/05/2013	12/05/2015	3,500,000	—	—	—	—	3,500,000	0.047%
	13/11/2012	0.109	13/05/2014	12/05/2016	3,500,000	—	—	—	—	3,500,000	0.047%
										<u>7,000,000</u>	0.094%
WU Jingwei	04/07/2007	0.975	01/01/2012	31/12/2013	800,000	—	—	—	—	800,000	0.011%
	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	01/09/2011	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%
	13/05/2011	0.216	13/05/2011	12/05/2013	11,500,000	—	—	—	—	11,500,000	0.155%
	13/11/2012	0.109	13/05/2013	12/05/2015	24,000,000	—	—	—	—	24,000,000	0.322%
	13/11/2012	0.109	13/05/2014	12/05/2016	24,000,000	—	—	—	—	24,000,000	0.322%
									<u>74,500,000</u>	1.000%	
CHAN Tan Na Donna	13/11/2012	0.109	13/05/2013	12/05/2015	20,000,000	—	—	—	—	20,000,000	0.268%
	13/11/2012	0.109	13/05/2014	12/05/2016	20,000,000	—	—	—	—	20,000,000	0.268%
										<u>40,000,000</u>	0.537%
LI Zi Kui	17/08/2009	0.500	17/02/2010	16/08/2014	5,000,000	—	—	—	—	5,000,000	0.067%
	17/08/2009	0.500	17/08/2010	16/08/2014	5,000,000	—	—	—	—	5,000,000	0.067%
	13/11/2012	0.109	13/05/2013	12/05/2015	7,500,000	—	—	—	—	7,500,000	0.101%
	13/11/2012	0.109	13/05/2014	12/05/2016	7,500,000	—	—	—	—	7,500,000	0.101%
										<u>25,000,000</u>	0.335%



Participants	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2013	No. of shares under the options				held as at 31/3/2013	Approximate Percentage of the Company's issued share capital
			from	until		granted during the period	exercised during the period	cancelled during the period	lapsed during the period		
HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	—	—	—	—	17,600,000	0.237%
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	—	—	—	—	17,600,000	0.237%
	13/05/2011	0.216	13/05/2011	12/05/2013	2,000,000	—	—	—	—	2,000,000	0.027%
	13/11/2012	0.109	13/05/2013	12/05/2015	2,500,000	—	—	—	—	2,500,000	0.034%
	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	—	—	—	—	2,500,000	0.034%
										42,200,000	0.566%
HUANG Shenglan	13/05/2011	0.216	13/05/2011	12/05/2013	2,000,000	—	—	—	—	2,000,000	0.027%
	13/11/2012	0.109	13/05/2013	12/05/2015	2,500,000	—	—	—	—	2,500,000	0.034%
	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	—	—	—	—	2,500,000	0.034%
										7,000,000	0.094%
CHAN Ming Fai	13/05/2011	0.216	13/05/2011	12/05/2013	2,000,000	—	—	—	—	2,000,000	0.027%
	13/11/2012	0.109	13/05/2013	12/05/2015	2,500,000	—	—	—	—	2,500,000	0.034%
	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	—	—	—	—	2,500,000	0.034%
										7,000,000	0.094%
CUI Shuming	13/05/2011	0.216	13/05/2011	12/05/2013	2,000,000	—	—	—	—	2,000,000	0.027%
	13/11/2012	0.109	13/05/2013	12/05/2015	2,500,000	—	—	—	—	2,500,000	0.034%
	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	—	—	—	—	2,500,000	0.034%
										7,000,000	0.094%

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

Save as otherwise disclosed above, as at 31 March 2013, 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 31 March 2013, 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/or short positions in the shares and underlying shares of the Company:

Interests in Shares of the Company

Name of Shareholder	Number of shares				Total	Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Family interests	Investment Manager	Corporate interests		
CHAN Shing	389,286,426(L)	259,974,373(L)	—	867,762,948(L) 23,093,192(S)	1,517,023,747(L) 23,093,192(S)	20.36%(L) 0.31%(S)
					(Note 1)	
Atlantis Capital Holdings Limited	—	—	—	680,000,000(L)	680,000,000(L)	9.12%(L)
					(Note 2)	
Liu Yang	—	—	—	680,000,000(L)	680,000,000(L)	9.12%(L)
					(Note 2)	
Favor King Limited	—	—	—	582,864,906(L)	582,864,906(L)	7.82%(L)
					(Note 1)	
FIL Limited	—	—	445,104,000(L)	—	445,104,000(L)	5.97%(L)



Notes:

1. For the corporate interests, 147,162,496 shares, includes abovementioned 23,093,192 shares, were held by Hang Sing which was owned as to 51% by 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, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 580,932,594 shares were held by 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 of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. The shares of the family interests were owned by Ms. LAU Ting. As Ms. LAU Ting is the spouse of Mr. CHAN Shing, the interests of each of Mr. CHAN Shing and Ms. LAU Ting were deemed to be the interests of each other.
2. These shares represent the same block of interest held by Atlantis Capital Holdings Limited and Ms. Liu Yang. Atlantis Investment Management (Hong Kong) Limited interested in 680,000,000 shares among these shares. Atlantis Fund Management (Ireland) Limited and Atlantis Investment Management (London) Limited interested in 200,000,000 shares respectively among these shares. The above three companies were wholly-owned by Atlantis Capital Holdings Limited, which in turn was wholly-owned by Ms. Liu Yang. 20,000,000 shares were held by Riverwood Asset Management (Cayman) Limited which was wholly owned by Ms. Liu Yang.
3. The letter "L" denotes long position(s) and the letter "P" denotes lending pool(s).

Save as disclosed above, as at 31 March 2013, 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.

PROPOSED TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE

On 25 March 2013, the Company made an application to the Stock Exchange for the transfer of listing of the shares of the Company from GEM to the Main Board pursuant to the transfer of listing procedures under Chapter 9A of the Main Board Listing Rules (the "Proposed Transfer"). The Board believes that the listing of the Shares on the Main Board would help to enhance the profile of the Group and increase the trading liquidity of the shares of the Company by attracting more institutional and retail investors. The Directors consider that the Proposed Transfer will be beneficial to the financing flexibility, future growth and business development of the Group. No change in the nature of business of the Group is currently contemplated by the Board following the Proposed Transfer. The Proposed Transfer will not involve any issue of new shares by the Company. The Proposed Transfer is subject to, among others, the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of the Company on the Main Board.

CONSIDERATION SHARES

Pursuant to the terms and conditions of a Transfer Agreement entered into by the Company's subsidiary as mentioned in the announcement of the Company dated 2 November 2011, 43,360,000 consideration shares (subject to adjustment if the vendors cannot fulfill the Profit Guarantee for 2011 and Profit Guarantee for 2012) would be conditionally allotted and issued by the Company at an issue price of HK\$0.45 per consideration share as partial settlement of the relevant acquisition. The Company has allotted and issued the total of 13,008,000 shares of the Company, as the first batch, on 3 April 2012 in accordance with the terms of that Transfer Agreement. 8,888,154 consideration shares (the number of the consideration shares has been adjusted pursuant to the terms of the abovementioned Transfer Agreement), being the second batch of the consideration shares, have been allotted and issued on 9 April 2013.



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 securities during the three months ended 31 March 2013.

COMPETING INTERESTS

None of the Directors or their respective associates has any interest in any business which competes or potentially competes, either directly or indirectly, 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 first quarterly results of the Group for the three months ended 31 March 2013 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting

Chairperson

Hong Kong, 15 May 2013

As at the date of this report, the Board comprises Ms. LAU Ting, Mr. WU Jingwei, Ms. CHAN Tan Na, Donna and Mr. LI Zi Kui as Executive Directors; Mr. HOONG Cheong Thard as a Non-executive Director; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-executive Directors.