

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and jointly controlled entities (together, the “Group”) for the six months ended 30 June 2012 together with the unaudited comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	(Restated)
		HK\$'000	HK\$'000
Continuing operations			
Turnover	4	1,033,441	840,795
Cost of sales/services rendered		(404,011)	(384,621)
Other income		12,729	4,148
Other (losses)/gains, net		(402)	2,834
Selling and distribution expenses		(53,934)	(54,077)
Administrative expenses		(80,757)	(79,782)
		<hr/>	<hr/>
Operating profit		507,066	329,297
Finance costs		(24,469)	(2,747)
		<hr/>	<hr/>
Profit before taxation	6	482,597	326,550
Taxation	7	(20,389)	(13,917)
		<hr/>	<hr/>

	<i>Notes</i>	Six months ended 30 June	
		2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) (Restated) <i>HK\$'000</i>
Profit for the period from continuing operations		462,208	312,633
Discontinued operations			
Profit/(loss) for the period from discontinued operations	5	<u>846</u>	<u>(1,861)</u>
Profit for the period		<u>463,054</u>	<u>310,772</u>
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		436,188	310,651
– Discontinued operations		<u>846</u>	<u>(1,861)</u>
		<u>437,034</u>	<u>308,790</u>
Non-controlling interests			
– Continuing operations		26,020	1,982
– Discontinued operations		<u>–</u>	<u>–</u>
		<u>26,020</u>	<u>1,982</u>
Dividend	8	<u>0.95 cent</u>	<u>0.48 cent</u>
Earnings/(loss) per share	9		
From continuing operations and discontinued operations			
– Basic earnings per share		<u>5.50 cents</u>	<u>3.97 cents</u>
– Diluted earnings per share		<u>5.02 cents</u>	<u>3.97 cents</u>
From continuing operations			
– Basic earnings per share		<u>5.49 cents</u>	<u>3.99 cents</u>
– Diluted earnings per share		<u>5.01 cents</u>	<u>3.99 cents</u>
From discontinued operations			
– Basic earnings/(loss) per share		<u>0.01 cent</u>	<u>(0.02 cent)</u>
– Diluted earnings/(loss) per share		<u>0.01 cent</u>	<u>(0.02 cent)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>463,054</u>	<u>310,772</u>
Other comprehensive income		
Exchange difference arising from translation of foreign operations	<u>–</u>	<u>29,225</u>
Total comprehensive income for the period	<u>463,054</u>	<u>339,997</u>
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	<u>437,034</u>	<u>336,111</u>
Non-controlling interests	<u>26,020</u>	<u>3,886</u>
	<u>463,054</u>	<u>339,997</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 June 2012 (Unaudited) <i>Notes</i> HK\$'000	At 31 December 2011 (Audited) <i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	323,203	292,150
Prepaid lease payments on land use rights	36,344	36,751
Investment property	1,354	1,354
Goodwill	2,428,796	2,428,796
Intangible assets	318,663	332,208
Available-for-sale financial asset	44,000	44,000
Statutory deposits	–	838
Deferred tax assets	77	77
	3,152,437	3,136,174
Total non-current assets		
Current assets		
Inventories	200,418	116,964
Trade receivables	10 1,030,653	924,802
Utility and other deposits	594,649	447,043
Prepayments and other receivables	692,251	617,709
Financial assets at fair value through profit or loss	6,524	6,928
Cash and bank balances	11 483,993	489,018
	3,008,488	2,602,464
Total current assets		
	6,160,925	5,738,638
Total assets		

		At 30 June 2012 (Unaudited) <i>HK\$'000</i>	At 31 December 2011 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	<i>15</i>	85,139	77,527
Reserves		5,062,909	4,228,946
Proposed final dividend		–	61,910
		<u>5,148,048</u>	<u>4,368,383</u>
Non-controlling interests		<u>194,451</u>	<u>168,431</u>
Total equity		<u>5,342,499</u>	<u>4,536,814</u>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>12</i>	468,677	830,745
Deferred tax liabilities		78,128	70,315
Obligation under a finance lease		384	441
		<u>547,189</u>	<u>901,501</u>
Total non-current liabilities		<u>547,189</u>	<u>901,501</u>
Current liabilities			
Trade payables	<i>13</i>	42,514	84,403
Other payables and accruals		82,357	114,994
Bank borrowings	<i>14</i>	60,975	58,927
Obligation under a finance lease		112	109
Current tax liabilities		23,369	41,890
Dividend payable		61,910	–
		<u>271,237</u>	<u>300,323</u>
Total current liabilities		<u>271,237</u>	<u>300,323</u>
Total liabilities		<u>818,426</u>	<u>1,201,824</u>
Total equity and liabilities		<u><u>6,160,925</u></u>	<u><u>5,738,638</u></u>
Net current assets		<u><u>2,737,251</u></u>	<u><u>2,302,141</u></u>
Total assets less current liabilities		<u><u>5,889,688</u></u>	<u><u>5,438,315</u></u>

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2012.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of the new or revised Hong Kong Financial Reporting Standards (“HKFRS”) had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new or revised standards and amendments that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvement to HKFRSs 2009-2011 cycle ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurements ²
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 Amendments	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ³

¹ *Effective for annual periods beginning on or after 1 July 2012*

² *Effective for annual periods beginning on or after 1 January 2013*

³ *Effective for annual periods beginning on or after 1 January 2014*

⁴ *Effective for annual periods beginning on or after 1 January 2015*

The Group has not early adopted the new HKFRSs that have been issued but not yet effective. The directors of the Company (the “Directors”) are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s result of operations and financial position.

3. Segment information

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment, the Group determines that there are two reportable segments which are lottery and financial business. Financial business is mainly represented by securities trading and asset management business which was disposed of in June 2012.

Business segments

For the six months ended 30 June 2012

	Continuing operations		Discontinued operations		Total	
	Lottery business		Financial business			
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Restated)		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>1,033,441</u>	<u>840,795</u>	<u>958</u>	<u>2,296</u>	<u>1,034,399</u>	<u>843,091</u>
Segment results						
Profit/(loss)	<u>524,932</u>	<u>340,441</u>	<u>846</u>	<u>(1,861)</u>	<u>525,778</u>	<u>338,580</u>
Net unallocated expenses					<u>(42,335)</u>	<u>(13,891)</u>
Profit before taxation					<u>483,443</u>	<u>324,689</u>
Taxation					<u>(20,389)</u>	<u>(13,917)</u>
Profit for the period					<u><u>463,054</u></u>	<u><u>310,772</u></u>

4. Turnover

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and interest income.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Lottery income		
Income from provision of lottery machines and related services	1,033,441	840,795
Discontinued operations		
Financial income		
Commission income	886	2,296
Interest income	72	–
	<u>1,034,399</u>	<u>843,091</u>

5. Discontinued operations

In 2012, the Company completed the disposal of its entire equity interests in REXCAPITAL Securities Limited and REXCAPITAL Asset Management Limited (collectively the “Disposal Group”) to an independent third party for cash consideration. The Disposal Group is engaged in business of securities broking, margin financing and asset management. The disposal did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules as all applicable percentage ratios were less than 5%.

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	958	2,296
Other losses, net	–	(65)
Administrative expenses	<u>(2,612)</u>	<u>(4,092)</u>
Loss from discontinued operations	(1,654)	(1,861)
Gain on disposal of Disposal Group	<u>2,500</u>	<u>–</u>
Profit/(loss) for the period from discontinued operations	<u>846</u>	<u>(1,861)</u>
Profit/(loss) attributable to equity shareholders of the Company	<u>846</u>	<u>(1,861)</u>
The net cash flow incurred by the Disposal Group is as follows:		
Net cash (used in)/generated from operating activities	(624)	555
Net cash generated from investing activities	<u>21</u>	<u>118</u>
Net cash (outflow)/inflow	<u>(603)</u>	<u>673</u>

6. Profit before taxation

The Group's profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation on:		
– Property, plant and equipment	53,767	37,400
– Intangible assets	11,605	3,725
Operating lease rentals in respect of office premises and warehouses	<u>12,836</u>	<u>10,643</u>

7. Taxation

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the six months ended 30 June 2012 (2011: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– PRC income tax	<u>20,389</u>	<u>13,917</u>

8. Dividend

The Board has declared an interim dividend of 0.95 HK cent per share for the six months ended 30 June 2012 (2011: 0.48 HK cent per share) payable to shareholders of the Company whose names appear on the Company's register of members on 31 October 2012.

9. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share for the six months ended 30 June 2012 are based on the profit attributable to equity shareholders of the Company of approximately HK\$437,034,000 (2011: approximately HK\$308,790,000) represented by the profit from continuing operations of approximately HK\$436,188,000 (Restated 2011: approximately HK\$310,651,000) and the profit from discontinued operations of approximately HK\$846,000 (2011: loss of approximately HK\$1,861,000).

- (a) The basic earnings/(loss) per share is based on the weighted average number of approximately 7,952,213,561 (2011: approximately 7,785,227,486) ordinary shares in issue during the six months ended 30 June 2012.
- (b) The diluted earnings/(loss) per share is based on approximately 9,154,729,960 (2011: approximately 7,786,300,904) ordinary shares, being the weighted average number of ordinary shares in issue during the period plus the weighted average number of approximately 7,783,583 (2011: approximately 1,073,418) ordinary shares deemed to be issued if all outstanding options had been exercised and weighted average number of approximately 1,194,732,816 (2011: Nil) ordinary shares deemed to be issued if all outstanding convertible bonds had been converted.

10. Trade receivables

	At 30 June 2012 (Unaudited) <i>HK\$'000</i>	At 31 December 2011 (Audited) <i>HK\$'000</i>
Margin client receivables, net	–	2,285
Other client receivables, net	–	1,709
Broker receivables	–	140
Amount due from clearing house	–	582
Loan receivable	678	1,267
Loan interest receivable	391	392
Trade receivables – Lottery business	<u>1,029,584</u>	<u>918,427</u>
	<u>1,030,653</u>	<u>924,802</u>

The Group generally grants credit periods of 90 to 180 days to its trade customers.

In 2011, margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited with market value of approximately HK\$7,255,000 as at 31 December 2011. No ageing analysis is disclosed for margin client receivables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking. The settlement terms of other client receivables, broker receivables and amount due from clearing house are one to two days after the trade date or are repayable on demand. The age of these balances is within 30 days.

In 2011, the trade receivables of HK\$21,678,000 have been pledged to a bank to secure general banking facilities granted to the Group.

The ageing analysis of loan receivable, loan interest receivable and trade receivables – Lottery business as at 30 June 2012 is as follows:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Three months or less	618,058	534,569
One year or less but over three months	382,640	351,886
Over one year	29,955	33,631
	<u>1,030,653</u>	<u>920,086</u>

11. Cash and bank balances

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Pledged bank deposits	–	10,976
Cash at banks		
– general accounts	482,253	462,757
– segregated accounts	336	12,704
Cash in hand	1,404	2,581
	<u>483,993</u>	<u>489,018</u>

12. Convertible bonds

The convertible bonds have been split as to the liability and equity components as follows:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Nominal value of bond issued during the year	842,957	121,743	964,700
Transaction costs attributable to the liability and equity component	(17,894)	(2,385)	(20,279)
Interest expenses	20,635	–	20,635
Interest paid	(14,953)	–	(14,953)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	830,745	119,358	950,103
Reversal of interest expenses overaccrued	(9,158)	–	(9,158)
Interest expenses	22,436	–	22,436
Interest paid	(9,383)	–	(9,383)
Conversion during the period	(365,963)	(55,058)	(421,021)
	<hr/>	<hr/>	<hr/>
At 30 June 2012	<u>468,677</u>	<u>64,300</u>	<u>532,977</u>

13. Trade payables

	At 30 June 2012 (Unaudited) <i>HK\$'000</i>	At 31 December 2011 (Audited) <i>HK\$'000</i>
Margin client payables	–	4,576
Other client payables	309	10,547
Trade payables – Lottery business	42,205	69,280
	<hr/>	<hr/>
	<u>42,514</u>	<u>84,403</u>

Trade payables – Lottery business are expected to be settled within one year or are repayable on demand.

In 2011, margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates. No ageing analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking. Trade payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of the Group's trade payables – Lottery business as at 30 June 2012 is as follows:

	At 30 June 2012 (Unaudited) <i>HK\$'000</i>	At 31 December 2011 (Audited) <i>HK\$'000</i>
Three months or less	37,926	49,239
Over three months	<u>4,279</u>	<u>20,041</u>
	<u><u>42,205</u></u>	<u><u>69,280</u></u>

14. Bank borrowings

	At 30 June 2012 (Unaudited) <i>HK\$'000</i>	At 31 December 2011 (Audited) <i>HK\$'000</i>
Bank loans		
– secured	<u>60,975</u>	<u>58,927</u>
All due within one year	<u><u>60,975</u></u>	<u><u>58,927</u></u>

Bank loans are repayable within one year or when the facility is withdrawn. These borrowings are used to finance the lottery business of the Group.

Bank loans of approximately HK\$60,975,000 (31 December 2011: HK\$58,927,000) were secured by the leasehold buildings and land use rights of the Group.

The effective interest rates on the Group's borrowings are equal to contractual interest rates.

15. Share capital

Authorised:

	Ordinary shares of HK\$0.01 each	
	Number of shares	Amount HK\$
At 31 December 2011 and at 30 June 2012	<u>20,000,000,000</u>	<u>200,000,000</u>

Issued and fully paid:

	Ordinary shares of HK\$0.01 each	
	Number of shares	Amount HK\$
At 31 December 2011	7,752,725,000	77,527,250
Cancellation of the shares repurchased	(10,825,000)	(108,250)
Issuance upon exercise of share options	79,000,000	790,000
Issuance upon conversion of convertible bonds	<u>692,955,465</u>	<u>6,929,555</u>
At 30 June 2012	<u>8,513,855,465</u>	<u>85,138,555</u>

16. Commitments

As at 30 June 2012, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Land and buildings		
Within one year	24,831	25,198
In the second to fifth year inclusive	<u>27,263</u>	<u>43,267</u>
	<u><u>52,094</u></u>	<u><u>68,465</u></u>

The Group leases various office premises and warehouses under operating leases. The leases run for an initial period of one to five years. The leases do not include any contingent rentals.

17. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

18. Comparative figures

The comparative condensed consolidated income statement and the related notes to the financial statements have been re-presented as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period (*note 5*).

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group was principally engaged in lottery system and games development business and distribution and marketing of lottery products in China.

The China lottery market comprises two lotteries, namely, the China Welfare Lottery and the China Sports Lottery. The Group provides services to both lotteries.

BUSINESS REVIEW AND PROSPECTS

CONTINUING OPERATIONS

Lottery Business

The Group's lottery business can be broadly divided into System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB").

Turnover of the lottery business for the period increased by 23% to HK\$1,033,441,000 (2011: HK\$840,795,000), accounting for 100% of the total turnover of the continuing operations. Profit before taxation arising from this segment recorded a growth of 54% to HK\$524,932,000 (2011: HK\$340,441,000).

During the period under review, we continued to execute our strategic plan to grow consistently over time by leveraging our competitive strengths while staying focused on our long-term growth initiatives. Our first half results are consistent with the execution of such plan as we did it on the strengths of our research and development capabilities, long-standing relationship with lottery authorities and comprehensive distribution channels for lottery products. We are able to pull on these key levers to generate growth.

Our SGDB has continued to deliver solid earnings and gained share in both lottery system and printed product market.

Meanwhile, DMB continues to work the levers to expand its leading position in traditional distribution channels to new electronic market. In 2011, our DMB embarked on the internet operation by acquiring the controlling interests in companies which operate and provide related services to paperless and electronic platform, including various sports information and internet lottery portals, for distribution of lottery in China. The integration of these portals was executed seamlessly in the first half of 2012 and we have effectively expanded our horizons in the downstream lottery operation in China, providing us with a stronger foundation to capture growth opportunities in new distribution channels. We will continue to invest in this high-growth area by innovating and developing products on new media of distribution, including mobile and internet.

China Lottery Market

China's lottery market registered total lottery sales of RMB129.06 billion in the first six months of 2012, representing a growth of 28% over the same period of 2011.

During the period under review, total Welfare Lottery sales was RMB75.2 billion. Welfare Computer Ticket Games ("CTG") sales increased 33% to RMB54.42 billion, accounting for 72% of the total Welfare Lottery sales. Welfare Scratch Card sales grew about 4% to RMB10.58 billion and Video Lottery Terminals ("VLT") sales increased by 30% to RMB10.2 billion. Sales of Welfare Scratch Card and VLT were neck-and-neck and each of them took 14% of the total Welfare Lottery sales.

In the first half of 2012, total Sports Lottery sales was RMB53.86 billion. Sales of Sports CTG, including Single Match Games ("SMG"), increased by 38% to RMB44.28 billion accounting for 82% of total Sports Lottery Sales. Sports Scratch Card sales accounted for the remaining 18% of the Sports Lottery Sales and reached RMB9.58 billion.

On 1 March 2012, the Detailed Rules for Implementation of Regulation on Lottery Management came into effect. Such rules are formulated based on the regulating policies and practices codified in the Regulation on Lottery Management, which came into effect on 1 July 2009, in order to provide a detailed guidance on the authoritative standards and principles of lottery management and operation in China. Enactment of the Rules serves to better protect the lottery customers in general and improves the operating environment of the industry amid a gradual market consolidation.

System and Games Development Business

The Group's SGDB is an active participant in the provision of lottery system and specialized equipments for both CTG and Scratch Cards products in China. Our SGDB has continued to deliver solid earnings during the period under review.

Welfare CTG Business

The Group's SGDB participates in the Welfare CTG business in China through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), a non-wholly owned subsidiary of our Group. Sinodata is the leading lottery system and specialized equipment supplier for Welfare Lottery in China and has a long and proven track record of success in the field of lottery system and games development. Sinodata provided its professional services to 16 lottery provinces in China during the period under review.

Welfare CTG sales reached RMB54.42 billion in the first half of 2012, a 33% growth from last year. The traditional national games including the Dual Colour Ball remained the main driver of growth in the CTG segment primarily due to the large jackpot. On the other hand, we saw excellent traction in regional games across the country providing amusements to lottery players with wide variety of prize levels and high-frequency of drawings.

Leveraging on its excellent track records and outstanding technological capabilities in the field of lottery system and equipment development, Sinodata has entered into a new long term cooperation contract with one of the top 10 lottery provinces in terms of Welfare Lottery sales to provide lottery system and terminals, services will be commenced in 2013. This market share gain in Welfare CTG business is a strong testament to our unparalleled product and service.

Welfare Scratch Card Business

The Group's SGDB involves in the validation and printing business of Welfare Scratch Cards in China.

The Group has jointly controlled interest, through Beijing Guard Libang Technology Co Ltd (“Guard Libang”), in Welfare Scratch Cards validation services. Guard Libang is a 50:50 joint venture with Scientific Games Corporation (“Scientific Games”), the world’s leading instant ticket system and games provider. Our strategic partnership with Scientific Games enables us to bring its expertise and technology know-how to the Scratch Cards market in China.

More recently, the Group has begun a negotiation for contract renewal of the existing validation services. The negotiation process is at its final stage and we are optimistic to extend the mutually beneficial relationships. The successful contract negotiation attests to our long-standing relationship with lottery issuing authority based on the proven track records of outstanding lottery solutions and services.

Through a cooperative venture with Shijiazhuang Offset Printing House, one of the three entities authorized to print for the Welfare Scratch Cards programs, the Group has involved in Welfare Scratch Cards printing business.

Sports CTG Business

The Group’s Sports CTG business involved the sales of CTG machines to Provincial Sports Lottery Centres across China serving the needs of traditional CTG segment and supporting the development of SMG. Shipments of CTG machines grew during the period under review due to the demand driven by a new round of replacement cycle.

Distribution and Marketing Business

The Group’s DMB is a major participant in the downstream lottery operation in China. It has successfully established a comprehensive distribution platform consist of a solid foundation of widely diversified and well recognized physical retail network across China and a best-in-class portfolio of electronic lottery distribution channels.

We pledged to provide reliable, efficient and innovative lottery services to address the needs of lottery consumers in China and assist lottery authorities to promote the development of China Lottery market in sustainable manner.

Building on the momentum carried over from last year, the Group’s DMB division made significant progress in expanding its leading position in traditional market to electronic market.

Cooperation Distribution Business

Under the cooperative model, we focus on building our physical lottery distribution network with channel partners, entities and organizations that already had a widely diversified and recognized sales network located in selected prime locations in China. Our channel partners principally comprise chains of convenience store and supermarket, grocery and pharmacy chains, gasoline stations and post offices.

In the first half of 2012, the overall sales of scratch card products was RMB20.16 billion, which is merely flat compared to that of last year. The improvement in scratch cards sales originated in a favorable product mix with higher percentage of mid and high face value tickets was partially offset by the delay of new scratch card rollout.

Despite this trend, the Group's cooperation distribution business was able to gain market shares during the period by broadening customer accessibility to scratch card products. Our professional team is adept at exploiting the potential in our existing channels which are proven to be successful in attracting sales. We believe that the Group will continue to benefit from this model and success as a dominant lottery distributor over physical channels.

Single Match Games Business

The Group's SMG business is conducted through our franchised SMG shops across 7 key provinces in China together with our strong presence in the electronic platform. The Group's strategy is to provide lottery services over a safe, reliable and comprehensive distribution platform with improved overall profitability to the Group.

Given the high growth potential of SMG in China, promoting SMG continues to be one of the top priorities for our DMB, and we are excited about the opportunity to bring together the physical and electronic lottery distribution platforms. During the period under review, we have successfully completed the platform integration.

For the first six months of this year, total sales of SMG grew about 50% to approximately RMB9 billion. Soccer matches became the main pillar of growth in SMG market when sales of basketball games was dampened by the temporary lockout of NBA (National Basketball Association) since the 4th quarter of 2011. From 2010 World Cup South Africa to the recent UEFA European Football Championship (“Euro 2012”), major international soccer tournaments have been playing an active role in the development of SMG. A total of 31 matches were played during Euro 2012 and generated RMB1.6 billion SMG sales. We saw great improvement in it compared with the RMB1.3 billion sales generated by the 64 matches of 2010 World Cup South Africa. The strong momentum in SMG market is a validation of growth opportunities we continue to see over the long term.

Mobile Lottery Business and Mobile Electronic Lottery Platform

The Group’s mobile SMS platform provides subscribers with the latest lottery information and allows them to purchase CTG tickets through SMS text messaging. The number of our subscribers grew steadily during the period due to our growing presence in the existing provinces in China.

In July, the Group has successfully launched our Mobile Electronic Lottery Platform (“Mobile ELP”) in commercial operation for Welfare Lottery in Liaoning Province. The commercial launch of Mobile ELP follows a successful pilot testing program which commenced in May 2011 as the Group was selected to be the sole Mobile ELP operator for Liaoning Welfare Lottery.

At present, the Group has secured a total of 7 Mobile ELP contracts and they will be launched in phases in the coming 12 months. The Mobile ELP has effectively expanded our customer base and enhanced our ability to market and distribute the right lottery products to consumers. We are confident that the Mobile ELP is on the verge of great success.

DISCONTINUED OPERATIONS

Financial Business

The Group discontinued its securities trading and asset management business by entering into a conditional sale and purchase agreement to dispose to an independent third party for a consideration of HK\$12,000,000. The disposal was completed in June 2012.

OUTLOOK

Despite the global macro headwinds and concerns over slowing economy in China, we remain optimistic on our business outlook in both short and long run. On one hand, China lottery market has demonstrated its very resilient discretionary spending characteristics as the total lottery sales in the first six months of 2012 continues to post impressive growth. On the other hand, development of the regulatory frameworks for lottery management has created a favorable environment in China to bolster a sustainable long-term growth of the lottery industry. This environment also represents immense opportunities for the Group.

Looking into second half of the year, we believe that the growth momentum in lottery sales for both Welfare and Sports Lotteries will continue as various segments of the lottery market have new products in the pipeline. Although seasonal patterns do not duplicate themselves precisely every year, we anticipate the momentum will pick up after the summer months of July and August which are traditional low season of the year. The lottery industry is also preparing marketing stimuli and campaigns for the coming high of lottery sales after the summer months.

As a major participant in the industry, we believe that we will benefit from the market consolidation and fortify our leading position in the lottery market. Looking ahead, we will continue to work the levers of our business model to strengthen our business and deliver sustainable growth over time.

Leading the way in the ever-evolving lottery market

As we look to the future, we are going to experience the most significant evolution of lottery industry characterized by the rise of new media distribution channels, this includes the utilization of electronic means, i.e. mobile phone and internet, for lottery distribution. This is an exciting moment in the history of China lottery market because such development points to new market potential. The formation of new customer segments and creation of lottery products over these channels will provide us with unique opportunities to drive future growth.

We look at this evolution in 2 dimensions. First, we will benefit from new channels that we can distribute and market lottery products to end customers directly and efficiently. Our DMB has poised for expanding our leading position in traditional distribution channels to this new market mainly through our Mobile ELP and internet lottery portals. Second, the proliferation of electronic lottery distribution channels in the coming years will foster a transformation of lottery system upstream due to the rapidly expanding customer base and growing emphasis on reliable and safety operations. We foresee the implementation of user and payment account management system will bring a paradigm shift in the architecture of lottery technology. Towards this end, the Group has been developing the next generation lottery system by adopting new operating standards on our electronic lottery platform.

The Group has established a special business unit under Sinodata to focus on such development since Sinodata has a long and proven track record of success in the field of lottery system and game development. Building on Sinodata's commitment to innovations and its technological capabilities, we have successfully introduced our self-developed system for electronic lottery platform in 2011 and further integrated the platform with our newly acquired internet operations in the first half of 2012. The configuration of the applications on our electronic lottery platform will lay a solid foundation for its implementation on a nationwide centralized system. We pledge to develop such a system for achieving interoperability among all facets of electronic lottery channels. We are prepared to seize the opportunities to expand its coverage in the foreseeable future and we believe it will generate very meaningful contribution to the Group.

Deliver long-term growth and shareholder value with our expanded horizons

From lottery system and equipment to lottery distribution network, from physical retail outlets to electronic lottery platforms, our professional teams have dedicated themselves to the overall development of China lottery market and successfully expanded our horizons. By transforming ourselves to be a comprehensive lottery service provider, we have strengthened our role as a strategic partner to China lottery authorities.

On SGDB front, we will continue to deliver solid performance through our active participation in the provision of lottery system and equipment as well as scratch card printing operation. Our team has started preparing for the lottery system upgrade and deployment of new lottery terminals in the province with new contract awarded and this brings the total number of provinces in which Sinodata has a presence in China to 17. The Group is well positioned for growth in the Welfare CTG business given the positive momentum and our market share gains.

On the DMB front, we are well positioned to take full advantage of the growth potential presented by the electronic lottery distribution channels. The core leadership team responsible for our electronic lottery operation has devoted to drive the business forward with dedicated marketing and focus on delivering a best-in-class customer experience. Although we have completed the integration of our various electronic lottery operations in the first half of 2012, our SMG operations have started to benefit from this strategy by sharing the customer base among our comprehensive lottery distribution channels. We will continue to promote our cross-selling strategy to increase overall lottery sales by integrating the existing lottery distribution channels.

As a major participant in China's lottery industry, we are not only confident and optimistic about the future prospects of our Group, but are also confident that the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. By remaining committed to our long-term strategies to innovate the lottery industry with technology and directly reach out to lottery customers by delivering lottery amusements through our comprehensive distribution platform while prudently execute our short-term plans, the Group will continue to stand head and shoulder above its competition and present a promising outlook on our earnings and cash flow prospect. Keeping abreast of the ever-evolving market and being market-oriented, we will continue our strategic efforts on initiatives that further leverage our existing and growing lottery infrastructure to enhance the Group's long-term growth prospect and shareholder value.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2012, the Group achieved an encouraging result. During the period, the Group recorded a turnover of HK\$1,033,441,000 (Restated 2011: HK\$840,795,000), representing an increase of 23% over the last year. The increase was attributable to the increase in turnover from the lottery business.

The unaudited profit attributable to equity shareholders of the Company was HK\$437,034,000 (2011: HK\$308,790,000). The earnings per share was 5.50 HK cents (2011: 3.97 HK cents). Fully diluted earnings per share was 5.02 HK cents (2011: 3.97 HK cents).

Liquidity, Financial Resources and Funding

At 30 June 2012, the equity attributable to equity shareholders of the Company amounted to HK\$5,148,048,000 as compared to HK\$4,368,383,000 at the end of the previous year.

At 30 June 2012, the Group had cash reserves of approximately HK\$483,993,000 (31 December 2011: HK\$489,018,000), which included approximately HK\$336,000 (31 December 2011: HK\$12,704,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed with major banks in the PRC and Hong Kong.

In 2011, the Company issued convertible bonds due 2016 in total principal amount of HK\$964,700,000 (the "Convertible Bonds"). Each Convertible Bond will be convertible into fully paid ordinary shares of HK\$0.01 each (the "Shares") of the Company at an initial conversion price of HK\$0.6175 per Share. The Convertible Bonds bear interest at the rate of 6% per annum payable semi-annually in arrear. During the period under review, conversion rights attached to the Convertible Bonds of HK\$427,900,000 in principal amount had been exercised by the holders thereof. At 30 June 2012, the principal amount of the Convertible Bonds outstanding was HK\$536,800,000 (31 December 2011: HK\$964,700,000).

The gearing ratio as at 30 June 2012 was 9.92% (31 December 2011: 19.62%). The gearing ratio was derived by dividing the total borrowings including the Convertible Bonds, obligation under a finance lease and bank borrowings of approximately HK\$530,148,000 by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 1,109% (31 December 2011: 867%), reflecting adequacy of financial resources.

The Group had outstanding bank borrowings of approximately HK\$60,975,000 as at 30 June 2012 (31 December 2011: approximately HK\$58,927,000). The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Group's land and building were pledged to secure the bank borrowings. It is expected that all these borrowings will be repaid by internal generated funds.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

Pledge of Assets

At 30 June 2012, the Group's land and building with total market value of approximately HK\$78,050,000 were pledged to banks to secure the bank borrowings granted to the Group.

At 31 December 2011, the Group's land and building with total market value of approximately HK\$76,090,000, bank deposits of HK\$10,976,000 and accounts receivable of HK\$21,678,000 were pledged to banks to secure the bank borrowings granted to the Group. At 31 December 2011, the Group's listed investment belonging to clients with total market value of approximately HK\$2,249,000 was pledged to a bank to secure the undrawn banking facilities.

Share Capital

79,000,000 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of share options granted by the Company.

692,955,465 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of conversion rights attached to the Convertible Bonds. Share premium increased by HK\$420,970,000 accordingly.

10,825,000 shares of HK\$0.01 each were repurchased by the Company and cancelled during the period.

As at 30 June 2012, the total number of issued shares of the Company was 8,513,855,465. Save as disclosed above, there was no change in the Company's share capital structure during the period under review.

Exposure to Exchange Rate Risk and Interest Rate Risk

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as the interest rates currently remain at low levels.

Acquisitions and Disposals of Subsidiaries

Save as disclosed in note 5 to the interim financial statements, the Group had no material acquisition and disposal of subsidiaries during the six months ended 30 June 2012.

Human Resources

At 30 June 2012, the Group had 1,559 employees.

The Group remunerated its employees mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as the individual's performance.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff members for the upcoming changes and challenges in the market and industry.

INTERIM DIVIDEND

The Board has declared an interim dividend of 0.95 HK cent per share for the six months ended 30 June 2012 (2011: 0.48 HK cent per share) payable to shareholders of the Company whose names appear on the Company's register of members on 31 October 2012. The interim dividend will be paid on or about 8 November 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 October 2012 to Wednesday, 31 October 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 October 2012.

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

During the six months ended 30 June 2012, the Company repurchased a total of 10,825,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$5,169,375 pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting held on 29 June 2011. Details of the repurchases of shares were as follows:

Month/Year	Total number of ordinary shares repurchased	Repurchase		Aggregate consideration (expenses excluded) HK\$
		consideration per Share		
		Highest HK\$	Lowest HK\$	
January 2012	<u>10,825,000</u>	0.490	0.465	<u>5,169,375</u>

All the repurchased shares were cancelled during the period and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected with a view to benefit shareholders of the Company as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the six months period, in compliance with the code provisions (the “Code Provision(s)”) under the Corporate Governance Code (effective from 1 April 2012) as well as the former Code on Corporate Governance Practices (effective until 31 March 2012) as set out in Appendix 14 to the Listing Rules, except the following deviations:

Under the Code Provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have a Chairman nor a Chief Executive Officer. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive Officer are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group’s business and operations. The Company will continue to review the effectiveness of the Group’s corporate governance structure and consider the appointment of a Chairman of the Board and a Chief Executive Officer if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director was unable to attend the annual general meeting of the Company held on 28 June 2012 due to other business commitment. Nevertheless, there were other Directors, including two independent non-executive Directors, present at the said general meeting to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Group for the six months ended 30 June 2012 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.aplushk.com/clients/00555rexlot/index.html>) respectively. The 2012 interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Chan How Chung, Victor
Executive Director

Hong Kong, 27 August 2012

As at the date of this announcement, the Board comprises two executive Directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon and three independent non-executive Directors namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun.