



China
LotSynergy 2011 Third Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 8161



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QUARTERLY FINANCIAL STATEMENTS

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 and nine months ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in 2010, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	2	132,859	72,093	376,114	182,634
Costs of sales and services	3	(28,926)	(15,940)	(72,019)	(43,225)
Gross profit		103,933	56,153	304,095	139,409
Other income and (losses)/gains	4	(4)	10,057	11,122	13,430
General and administrative expenses		(27,104)	(23,998)	(89,775)	(73,186)
Share options expenses <i>[Non-cash expenses]</i>		(711)	(2,040)	(19,302)	(8,734)
Operating profit before gain redemption of convertible note	5	76,114	40,172	206,140	70,919
Gain on redemption of convertible note, net of imputed interest expense	6	—	165,031	—	151,199
Finance costs — imputed interest expense on outstanding convertible note <i>[Non-cash expenses]</i>		(5,116)	—	(15,348)	—
Finance costs — interest expenses on bank borrowings		(293)	(185)	(898)	(477)
Share of losses of jointly-controlled entities		(2,259)	(3,051)	(5,762)	(9,089)
Profit before income tax		68,446	201,967	184,132	212,552
Income tax	7	(9,678)	(9,915)	(34,366)	(11,038)
Profit for the period		58,768	192,052	149,766	201,514

CONSOLIDATED INCOME STATEMENT (Cont'd)

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September		
	2011	2010	2011	2010	
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit attributable to:					
Equity holders of the Company	17,025	176,759	41,657	159,051	
Non-controlling interests	41,743	15,293	108,109	42,463	
	58,768	192,052	149,766	201,514	
Earnings per share attributable to equity holders of the Company during the period					
— basic — HK Cent	8	0.23	2.39	0.56	2.15
— diluted — HK Cent	8	0.23	2.39	0.56	2.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	58,768	192,052	149,766	201,514
Other comprehensive income:				
Reversal of a temporary difference giving rise to a deferred tax liability	—	11	—	15
Fair value (loss)/gain on available-for-sale financial assets	(3,285)	17,618	(13,801)	14,606
Currency translation differences	8,928	5,390	17,480	5,607
Other comprehensive income for the period, net of tax	5,643	23,019	3,679	20,228
Total comprehensive income for the period	64,411	215,071	153,445	221,742
Attributable to:				
Equity holders of the Company	19,041	198,052	39,398	177,553
Non-controlling interests	45,370	17,019	114,047	44,189
Total comprehensive income for the period	64,411	215,071	153,445	221,742

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Accounting Standards 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 unaudited consolidated results are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2010.

The Group has adopted the standards, amendments and interpretations of that have been issued and effective for the accounting periods beginning on or after 1 January 2011. The adoption of such standards, amendments and interpretations did not have material effect on the Group's results.

2. Turnover

The Group is a technology and service provider of lottery systems, terminal equipment, game products and marketing operation to the public welfare lottery industry in China. The principal businesses of the Group cover video lottery, traditional computer ticket game ("CTG") including high frequency lottery, and new media lottery. An analysis of the Group's turnover for the periods is as follows:

	Unaudited Three months ended 30 September 2011		Unaudited Nine months ended 30 September 2011	
	HK\$'000	2010 HK\$'000	HK\$'000	2010 HK\$'000
Turnover				
Income from provision of lottery terminals/sales channels	128,613	68,691	348,626	173,758
Income from sales of equipment	4,117	2,827	25,314	7,909
Income from provision of consultancy services	129	575	2,174	967
	<u>132,859</u>	<u>72,093</u>	<u>376,114</u>	<u>182,634</u>

3. Costs of sales and services

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of lottery terminals	7,631	9,806	23,831	26,505
Business tax	7,273	3,451	19,754	8,840
Cost of inventories recognised as expense	3,109	1,549	12,027	3,844
Other costs of sales and services	10,913	1,134	16,407	4,036
	<u>28,926</u>	<u>15,940</u>	<u>72,019</u>	<u>43,225</u>

4. Other income and (losses)/gains

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	(1,578)	9,134	7,553	11,318
Interest income from bank deposits	1,574	923	3,569	1,856
Rental income	—	—	—	256
	<u>(4)</u>	<u>10,057</u>	<u>11,122</u>	<u>13,430</u>

5. Operating profit before gain on redemption of convertible note

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit is stated after charging:				
Staff costs (excluding share options expenses)	16,177	13,860	48,790	38,765
Amortisation of intangible assets	1,632	1,632	4,896	4,896
Depreciation of other items of property, plant and equipment	2,235	2,056	6,620	4,866
	<u>2,235</u>	<u>2,056</u>	<u>6,620</u>	<u>4,866</u>

6. Gain on redemption of convertible note, net of imputed interest expense

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on redemption of convertible note	—	171,947	—	171,947
Imputed interest expense on redeemed convertible note	—	(6,916)	—	(20,748)
	<u>—</u>	<u>165,031</u>	<u>—</u>	<u>151,199</u>

7. Income tax

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— People's Republic of China ("PRC") Enterprise Income Tax	10,738	10,252	37,750	15,401
— Adjustments in respect of prior periods	—	—	—	(51)
Deferred tax				
— Origination and reversal of temporary differences	(1,060)	(337)	(3,384)	(4,312)
	<u>9,678</u>	<u>9,915</u>	<u>34,366</u>	<u>11,038</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the three months and nine months ended 30 September 2011 (2010: Nil and Nil).

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

8. Earnings per share

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
Profit for the period attributable to the equity holders of the Company (HK\$'000)	<u>17,025</u>	<u>176,759</u>	<u>41,657</u>	<u>159,051</u>
Weighted average number of ordinary shares in issue for calculating basic earnings per share	<u>7,411,964,000</u>	<u>7,402,164,000</u>	<u>7,407,518,212</u>	<u>7,402,164,000</u>

The computation of diluted earnings per share for the three months and nine months ended 30 September 2011 and 2010 has not assumed the conversion of convertible note and exercise of share options during the periods as its conversion and exercise would result in an increase in earnings per share.

9. Share capital

	Unaudited Authorised ordinary shares	
	Number of shares	HK\$'000
At 1 January 2011 and 30 September 2011	<u>16,000,000,000</u>	<u>40,000</u>
	Unaudited Issued and fully paid ordinary shares	
	Number of shares	HK\$'000
At 1 January 2011	7,402,164,000	18,505
Share options exercised	<u>9,800,000</u>	<u>25</u>
At 30 September 2011	<u>7,411,964,000</u>	<u>18,530</u>

10. Reserves and retained profit/(accumulated losses)

	Unaudited								Total
	Nine months ended 30 September 2011								
	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 profit/(accumulated losses) HK\$'000	HK\$'000
Balance as at 1 January 2011	1,546,166	21,388	15,158	41,566	56,184	11,834	22,110	(808,897)	905,509
Profit for the period	—	—	—	—	—	—	—	41,657	41,657
Reduction of share premium	(813,537)	—	—	—	—	—	—	813,537	—
Share option scheme:									
— value of employee services	—	—	—	—	5,934	—	—	—	5,934
— value of other participants' services	—	—	—	—	13,368	—	—	—	13,368
— share options exercised	2,855	—	—	—	(603)	—	—	—	2,252
— vested share options cancelled and lapsed	—	—	—	—	(28,856)	—	—	28,856	—
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(13,801)	—	(13,801)
Currency translation differences:									
— overseas subsidiaries	—	—	—	8,066	—	—	—	—	8,066
— overseas jointly controlled entities	—	—	—	3,476	—	—	—	—	3,476
Release of revaluation reserve upon depreciation of leasehold land and building	—	—	—	—	—	(180)	—	180	—
Release of convertible note equity reserve upon redemption of convertible note	—	(9,717)	—	—	—	—	—	9,717	—
Disposal of available-for-sale financial assets	—	—	—	—	—	—	(7,149)	—	(7,149)
Balance as at 30 September 2011	735,484	11,671	15,158	53,108	46,027	11,654	1,160	85,050	959,312

	Unaudited								Total
	Nine months ended 30 September 2010								
	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	Accumulated losses HK\$'000	HK\$'000
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
Profit for the period	—	—	—	—	—	—	—	159,051	159,051
Share option scheme:									
— value of employee services	—	—	—	—	8,660	—	—	—	8,660
— value of other participants' services	—	—	—	—	74	—	—	—	74
Fair value gain on available-for-sale financial assets	—	—	—	—	—	—	14,606	—	14,606
Currency translation differences:									
— overseas subsidiaries	—	—	—	3,121	—	—	—	—	3,121
— overseas jointly controlled entities	—	—	—	760	—	—	—	—	760
Reversal of revaluation surplus relating to a transfer from investment property to owner-occupied property	—	—	—	—	—	(96)	—	96	—
Reversal of a temporary difference giving rise to a deferred tax liability	—	—	—	—	—	15	—	—	15
Release of convertible note equity reserve upon redemption of convertible note	—	(20,080)	—	—	—	—	—	(98,786)	(118,866)
Recognition of equity component of convertible note	—	25,614	—	—	—	—	—	—	25,614
Partial disposal of subsidiaries	—	—	—	—	—	—	—	14,120	14,120
Balance as at 30 September 2010	1,546,166	25,614	15,158	35,198	55,430	11,893	17,635	(802,176)	904,918

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a technology and service provider of lottery systems, terminal equipment, game products and marketing operation to the lottery market in China. The principal businesses of the Group cover video lottery, traditional computer ticket game (CTG) including high frequency lottery, and new media lottery. Through professional and effective operational management coupled with technical competencies, the Group has developed comprehensive capability for sustainable development.

Driven by the promulgation of the Regulation on the Administration of Lotteries and favorable policies, the China lottery industry has entered a new era of new technology, new distribution channels and new offering of lottery products. Adhering to its core values of being a dedicated, practical and innovative organization, supported by its technical and business development capabilities, the Group is well positioned to capture lottery opportunities in this new era.

CHINA LOTTERY PERFORMANCE

Total lottery sales in China (Welfare and Sport combined) in the third quarter of 2011 has maintained a strong momentum, with projected growth of over 30% compared to the same period in 2010.

BUSINESS REVIEW AND OUTLOOK

The Group has delivered good results in different areas of its lottery business. Sales of the video lottery game continue to deliver strong growth with the next generation terminal already delivered for deployment. The CTG business continues to outperform industry average for an extensive period of time, maintaining its leading advantage in products and services. KENO, the high frequency game, will be more attractive once the payout ratio increases. On New Media lottery on telephone, mobile phone and Internet, the Group is in a leading position on strengthened ties with major players in the related industries including telecom operators and financial institutions. On the new-type lottery business, the Group's integrated solution has gained much recognition from lottery authorities at various levels.

Video Lottery Business

China Welfare Lottery Video Lottery (VLT) Business

Issued with the mission of helping the aged, the disadvantaged, the orphans, the needy and providing disaster relief (“扶老、助殘、救孤、濟困、賑災”), VLT is a network-based lottery game, maintains its growing momentum in the China lottery market. The Group is the exclusive equipment and service provider for VLT, which remains a major revenue contributor for the Group. As at the end of September 2011, there are around 20,000 VLT terminals connected and in operation across 28 provinces in China. The game has generated sales of RMB12.2 billion in the first three quarters, representing a 103% growth as compared with the same period in 2010. Daily sales of the game has exceeded RMB50 million, with both average daily sales and average daily sales per terminal maintaining healthy and consistent growth.

The production of the next generation dual-screen terminal for VLT is underway, with the first batch 150 units already delivered to Hebei Province and Tianjin for deployment in certain sales venues. With the joint efforts of the Group and China Welfare Lottery Centre, the production of this new terminal is making good progress. It is believed that after the trial run, the product will play an increasingly important role in the lottery market and in contributing to public welfare needs in China. The Group's overall capability on video lottery has reached a new height and gained customers' recognition. Earlier this month, the Group's terminal production subsidiary in Dongguan Guangdong province was granted a revolving term loan facility of up to RMB80,000,000 by the China Construction Bank Limited to expand the Group's terminal production capacity and capability. The funds available under the facility will be solely used for such purpose.

CTG and High Frequency Lottery Business

CTG Business

The Group has maintained its strong foothold in the traditional CTG space, exclusively providing betting terminal equipment and operation maintenance to Welfare Lottery's CTG game in Guangdong province, the leading lottery selling province in China. In the first three quarters of 2011, sales of all Welfare Lottery games in Guangdong province have exceeded RMB10.3 billion, representing 28% increase over the same period in 2010. The Group is in negotiation with Guangdong Welfare Lottery Centre on rolling out additional CTG betting terminals, as an effort to help generate additional revenue for the province. In addition to being a long-term provider of quality products and services to Guangdong province, the Group is executing the existing contract with Shenzhen Welfare Lottery for the provision of terminals and maintenance services.

With constant innovation and improvement, the Group maintains its competitive advantage in its terminal and component products including lottery scanner and reader. In addition to obtaining business orders for lottery reader and scanner from the mainland market, the Group has further opened up overseas markets. It is expected that agreement will be signed soon on the supply of terminal equipment with customers in Russia and Vietnam. The cooperation with the National Lottery Corporation of Cambodia on the provision of betting terminal, system and total solution commenced in August.

Contracts for Welfare Lottery CTG system and terminal in several provinces will be due in the next two years and reopen for bidding. The Group will endeavor to compete for such contracts with its experience in Guangdong province, its intellectual properties on terminal and component products. Furthermore, the Group is actively participating in the terminal certification for the Central Sport Lottery Centre.

High Frequency Lottery Business (KENO)

The joint venture company between the Group and GTECH Corporation is the exclusive provider of the system, terminal and operation maintenance for KENO, the only nationwide high frequency CTG game of Welfare Lottery. Currently, the average daily sales per terminal (“ADSPT”) of KENO in the eight selected provinces nears RMB1,400, which is on a par with other top-selling Welfare CTG games. ADSPT in Liaoning province and Hebei province have maintained at higher level compared to the average. Despite the introduction of local high-frequency CTG games in certain provinces, sales of KENO have maintained stable, indicating that KENO is an incremental and defensive lottery product. With the approval of the increase of the payout ratio, there will be greater demand for more KENO terminals from the provinces. The relevant production has been scheduled to cope with any potential enlargement of KENO market after the increase of payout ratio. The management believes that after the increase of the payout ratio, and adoption of flexible business model, KENO will grow rapidly in China.

New Media lottery

The quarter under review achieved a new milestone for the Group’s new media lottery business. Significant breakthrough was made in the Telephone and Internet lottery segment, as well as the New-type Lottery Electronic Instant Ticket (“EIT”) segment through its efforts on product, technology and operation to maximize customer satisfaction.

The Telephone and Internet lottery segment has grown rapidly in the quarter, with sales more than doubled the previous quarter. A new version of the Group's mobile lottery client-end product was launched in the quarter, the first of its kind supporting high-resolution screen introduced in China. With this, enhanced and additional functions are made available simultaneously on a variety of mobile platforms including the iOS, Android, contributing to greater player experience and loyalty.

Meanwhile, the New-type Lottery EIT segment has made good progress. A comprehensive EIT solution has been presented to lottery centres at various levels, which was highly recognized. Cooperation agreements will be entered into with several provincial lottery centres in due course on EIT on mobile phone and self-service fixed terminal. With favorable policy, all levels of lottery authorities has identified the EIT as a priority project and commenced business planning. The Group is actively assisting several provincial lottery authorities in their application for trial run, with the objective of getting first-mover advantage.

The close cooperation with the lottery authorities is a result of the Group's efforts in this area, and proves the vision and overall technical strength of the Group in the New-type Lottery segment. Improvements will be made to the existing comprehensive EIT solution, to prepare the system for the next stage implementation and trial run. Taking opportunities and tackling challenges in the market, the Group will continue its efforts and is confident about achieving greater breakthrough in the New-type Lottery segment in the future.

Committed to its strategy of forming broad cooperation with the related industries, the group has made important progress in its business cooperation with telecom operators and financial institutions in the quarter under review. A new lottery channel was launched jointly with China Unicom on their new PC Wo portal (www.wo.com.cn). This lottery channel will provide a variety of services from provision of lottery information to purchase of lottery tickets to Unicom users everywhere in China. The Group took part in a bidding exercise of China Mobile and was selected as the operator's lottery business partner for their mobile payment website, WAP and mobile client-end. On 28th September, the China Construction Bank (CCB) launched the mobile payment business for the bank's customers together with Union Pay. As a provider of lottery application to Union Pay, the CCB-Union Pay's tie-up enabled the Group to extend its lottery purchase service to CCB's customers. The lottery business with the Bank of China's WAP website was also launched in September. All these represent breakthroughs for the Group's Telephone and Internet Lottery business with financial institutions. Meanwhile, business cooperation with application stores and mobile phone manufacturers has progressed smoothly. With the relevant mobile client-end products being available in all mainstream application stores, the Group is well-positioned to become the leading provider of mobile lottery client-end in the China market.

In the quarter ahead, the Group will step up its efforts with its various business partners. The launch of China Mobile and Union Pay's mobile payment-based lottery business and the cooperation with banks and mobile phone manufacturers represent a great leap forward for the Group's lottery business to be more widely chosen by mobile and bank users alike, and strengthen its position in the Internet and Mobile internet-based lottery area.

Technical capabilities

The Group has strengthened its technical capabilities in relation to new types of lottery games and new distribution channels, to provide central and provincial lottery authorities with more robust technical systems and tailored support service.

The Group is completing the application for higher technical accreditation for its hardware and software and system integration, which is crucial to the provision of stronger technical support for its business development. The ultimate goal is to provide central and provincial lottery authorities with a more robust, stable and secure system and technical service.

CONCLUSION

2011 is said to be the year to have far-reaching impact on the China lottery industry given technological advancements, increasing Internet penetration and changes in consumption behavior. Requirements for better technologies provide the momentum for the industry to take on new development opportunities. There are long-awaited and precious opportunities in this lottery era for the Group to grow from its ten-year foundation. As a major participant in the China lottery industry with prudent strategic planning, the Group remains optimistic about its business prospect and committed to making greater contributions to lottery development in China.

In the meantime, the Group will continue to identify opportunities for lottery business and strategic alliance to create growth drivers. The objective is to bring long-term and stable returns to our shareholders.

FINANCIAL REVIEW

In the first three quarters of 2011, the Group recorded a turnover of approximately HK\$376.1 million (2010: approximately HK\$182.6 million), representing an increase of approximately 106% over the same period of last year. Profit attributable to equity holders for the first three quarters of 2011 amounted to approximately HK\$41.6 million (2010: approximately HK\$159.1 million). Due to improving sales from VLT and CTG businesses, the Group recorded approximately HK\$17 million profit attributable to equity holders for the third quarter of 2011 (third quarter of 2010: approximately HK\$4.8 million before the one-time gain on redemption of convertible note before imputed interest expenses).

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

As at 30 September 2011, 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				Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests	Total	
LAU Ting	259,974,373(L)	389,286,426(L)	867,762,948(L)	1,517,023,747(L)	20.47%(L)
		(Note 1)	23,093,192(S)	23,093,192(S)	0.31%(S)
CHAN Shing	389,286,426(L)	259,974,373(L)	867,762,948(L)	1,517,023,747(L)	20.47%(L)
		(Note 4)	23,093,192(S)	23,093,192(S)	0.31%(S)
LIAO Yuang-whang	572,000(L)	—	—	572,000(L)	0.01%(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:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 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.
- 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.
- These shares were owned by Ms. LAU Ting.
- The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

(2) Interests in Underlying Shares of the Company

Participants	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2011	No. of shares under the options				held as at 30/9/2011	Approximate to 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		
Directors											
LAU Ting	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	—	—	(600,000)	—	—
										—	—
CHAN Shing	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	—	—	(600,000)	—	—
										—	—
WU Jingwei	11/01/2007	0.445	01/01/2008	31/12/2011	2,000,000	—	—	(2,000,000)	—	—	—
	11/01/2007	0.445	01/01/2009	31/12/2011	2,000,000	—	—	(2,000,000)	—	—	—
	11/01/2007	0.445	01/01/2010	31/12/2011	2,000,000	—	—	(2,000,000)	—	—	—
	11/01/2007	0.445	01/01/2011	31/12/2011	2,000,000	—	—	(2,000,000)	—	—	—
	04/07/2007	0.975	01/01/2008	31/12/2013	1,200,000	—	—	(1,200,000)	—	—	—
	04/07/2007	0.975	01/01/2009	31/12/2013	1,200,000	—	—	(1,200,000)	—	—	—
	04/07/2007	0.975	01/01/2010	31/12/2013	1,200,000	—	—	(1,200,000)	—	—	—
	04/07/2007	0.975	01/01/2011	31/12/2013	1,200,000	—	—	(1,200,000)	—	—	—
	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)	—	—	—
	13/11/2007	0.960	01/01/2009	31/12/2011	8,000,000	—	—	(8,000,000)	—	—	—
	13/11/2007	0.960	01/01/2010	31/12/2011	8,000,000	—	—	(8,000,000)	—	—	—
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	—	—	(2,000,000)	—	—	—
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	—	—	(2,000,000)	—	—	—
	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)	—	—	—
	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%	
									26,500,000	0.358%	
LIAO Yuang-whang	18/09/2007	0.904	18/09/2008	17/09/2011	3,200,000	—	—	(3,200,000)	—	—	—
	18/09/2007	0.904	18/09/2009	17/09/2011	2,800,000	—	—	(2,800,000)	—	—	—
	13/11/2007	0.960	18/09/2008	17/09/2012	8,000,000	—	—	(8,000,000)	—	—	—
	13/11/2007	0.960	18/09/2009	17/09/2012	8,000,000	—	—	(8,000,000)	—	—	—
	13/11/2007	0.960	18/09/2010	17/09/2012	8,000,000	—	—	(8,000,000)	—	—	—
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	—	—	(2,000,000)	—	—	—
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	—	—	(2,000,000)	—	—	—
	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)	—	—	—
	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%
	13/05/2011	0.216	13/05/2011	12/05/2013	—	10,500,000	—	—	—	10,500,000	0.142%
									25,000,000	0.337%	

Participants	Date of grant	Exercise price per share HK\$	Exercise period		held as at 1/1/2011	No. of shares under the options				held as at 30/9/2011	Approximate to 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		
Directors (cont'd)											
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%
	13/05/2011	0.216	13/05/2011	12/05/2013	—	6,500,000	(6,500,000)	—	—	—	—
										10,000,000	0.135%
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%
	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%
	13/05/2011	0.216	13/05/2011	12/05/2013	—	2,000,000	—	—	—	2,000,000	0.027%
									55,200,000	0.744%	
HUANG Shenglan	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	—	—	(600,000)	—	—
	13/05/2011	0.216	13/05/2011	12/05/2013	—	2,000,000	—	—	—	2,000,000	0.027%
									2,000,000	0.027%	
CHAN Ming Fai	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	—	—	—	(600,000)	—	—
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	—	—	—	(600,000)	—	—
	13/05/2011	0.216	13/05/2011	12/05/2013	—	2,000,000	—	—	—	2,000,000	0.027%
									2,000,000	0.027%	
CUI Shuming	13/05/2011	0.216	13/05/2011	12/05/2013	—	2,000,000	—	—	—	2,000,000	0.027%
									2,000,000	0.027%	

Notes:

All interests in underlying shares were in long positions.

Save as otherwise disclosed above, as at 30 September 2011, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2011, 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:

(1) *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	Investment Manager	Corporate interests	Custodian		
Atlantis Capital Holdings Limited	—	—	650,000,000(L)	—	650,000,000(L) (Note 1)	8.77%(L)
Liu Yang	—	—	650,000,000(L)	—	650,000,000(L) (Note 1)	8.77%(L)
Favor King Limited	—	—	582,864,906(L)	—	582,864,906(L) (Note 2)	7.86%(L)
JP Morgan Chase & Co.	584,000(L)	210,832,346(L)	—	300,000,000(L) 300,000,000(P)	511,416,346(L) 300,000,000(P) (Note 3)	6.90%(L) 4.05%(P)
Ward Ferry Management (BV) Limited	—	426,828,000(L)	—	—	426,828,000(L) (Note 4)	5.76%(L)

Notes:

1. 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 650,000,000 shares among these shares. Atlantis Fund Management (Ireland) Limited and Atlantis Investment Management (London) Limited interested in 150,000,000 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.
2. 1,932,312 shares were held by Burwill Holdings Limited 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.
3. 210,832,346 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.. 584,000 shares, represented the long position shares, were held by J.P. Morgan Whitefriars Inc. which in turn was owned by J.P. Morgan Overseas Capital Corporation, a company which was wholly-owned by J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was wholly-owned by J.P. Morgan International Inc.. And J.P. Morgan International Inc. was wholly-owned by JPMorgan Chase Bank, N.A., which in turn was wholly-owned by JPMorgan Chase & Co.. 300,000,000 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co..
4. 160,052,000 shares were held by WF Asia Fund Limited, 67,058,000 shares were held by WF Asian Reconnaissance Fund Limited and 199,718,000 shares were held by WF Asian Smaller Companies Fund Limited. Ward Ferry Management (BVI) Limited was the investment manager of these funds or companies.
5. The letter "L" denotes long position(s) and the letter "P" denotes lending pool(s).

(2) *Interests in Underlying Shares of the Company*

As at 30 September 2011, International Game Technology had a derivative interest in 74,607,329 shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Save as disclosed above, as at 30 September 2011, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2011.

APPOINTMENT OF DIRECTOR

Mr. LI Zi Kui, the Chief Technical Officer of the Group and the General Manager of the Group's CTG Business Unit, was appointed as an Executive Director of the Company with effect from 10 August 2011.

REDEMPTION OF NEW CONVERTIBLE NOTE

Pursuant to the terms and conditions of the New Convertible Note (the "New Convertible Note") mentioned in the announcement of the Company dated 21 September 2010, the Company redeemed part of the principal under the New Convertible Note in the sum of HK\$95,000,000 in cash to International Game Technology on 27 September 2011. After the aforesaid redemption, the outstanding principal sum of the New Convertible Note is HK\$71,250,000, which is expected to be redeemed on 12 May 2012.

COMPETING INTERESTS

The Board believes that none of the Directors and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company's Audit Committee currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The unaudited third quarterly results of the Group for the nine months ended 30 September 2011 have been reviewed by the Audit Committee.

On behalf of the Board
LAU Ting
Chairperson

Hong Kong, 19 October 2011

As at the date of this report, the Board comprises Ms. LAU Ting, Mr. WU Jingwei, Mr. LIAO Yang-whang, Mr. CHAN Shing 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.