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China LotSynergy Holdings Limited

華彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

**(Stock Code: 8161)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

\* For identification purposes only

## INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board” or the “Directors”) of China LotSynergy Holdings Limited (the “Company”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2010, together with the comparative unaudited figures for the corresponding periods in 2009, as follows:

### Condensed Consolidated Income Statement

	Notes	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	2	<b>66,880</b>	13,209	<b>110,541</b>	24,783
Costs of sales and services	3	<b>(16,396)</b>	(11,953)	<b>(27,285)</b>	(23,889)
Gross profit		<b>50,484</b>	1,256	<b>83,256</b>	894
Other income and gains	4	<b>1,674</b>	17,844	<b>3,373</b>	20,973
General and administrative expenses		<b>(21,134)</b>	(25,426)	<b>(49,188)</b>	(47,417)
Finance costs	5	<b>(7,074)</b>	(6,605)	<b>(14,124)</b>	(13,211)
Share option expenses		<b>(2,917)</b>	(3,259)	<b>(6,694)</b>	(6,443)
Operating profit/(loss)	6	<b>21,033</b>	(16,190)	<b>16,623</b>	(45,204)
Share of losses of jointly-controlled entities		<b>(3,088)</b>	(2,151)	<b>(6,038)</b>	(4,597)
Profit/(loss) before income tax		<b>17,945</b>	(18,341)	<b>10,585</b>	(49,801)
Income tax	7	<b>(39)</b>	(2,768)	<b>(1,123)</b>	(2,817)
Profit/(loss) for the period		<b>17,906</b>	(21,109)	<b>9,462</b>	(52,618)
<b>Attributable to:</b>					
Equity holders of the Company		<b>986</b>	(15,743)	<b>(17,708)</b>	(43,050)
Non-controlling interests		<b>16,920</b>	(5,366)	<b>27,170</b>	(9,568)
		<b>17,906</b>	(21,109)	<b>9,462</b>	(52,618)
<b>Earning/(loss) per share attributable to the equity holders of the Company during the period</b>					
– basic – <i>HK Cent</i>	8	<b>0.01</b>	(0.21)	<b>(0.24)</b>	(0.58)
– diluted	8	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## Condensed Consolidated Statement of Comprehensive Income

	Unaudited			
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<b>17,906</b>	(21,109)	<b>9,462</b>	(52,618)
Other comprehensive income:				
Reversal of a temporary difference giving rise to a deferred tax liability	4	–	4	–
Fair value (loss)/gain on available-for-sale financial assets	<b>(2,302)</b>	9,728	<b>(3,012)</b>	9,728
Currency translation differences	<b>199</b>	16	<b>217</b>	16
Other comprehensive income for the period, net of tax	<b>(2,099)</b>	9,744	<b>(2,791)</b>	9,744
Total comprehensive income for the period	<b>15,807</b>	(11,365)	<b>6,671</b>	(42,874)
<b>Attributable to:</b>				
Equity holders of the Company	<b>(1,113)</b>	(5,999)	<b>(20,499)</b>	(33,306)
Non-controlling interests	<b>16,920</b>	(5,366)	<b>27,170</b>	(9,568)
<b>Total comprehensive income for the period</b>	<b>15,807</b>	(11,365)	<b>6,671</b>	(42,874)

## Condensed Consolidated Statement of Financial Position

		Unaudited As at 30 June 2010 <i>HK\$'000</i>	Audited As at 31 December 2009 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	279,742	130,570
Investment property	9	–	140,000
Intangible assets	10	340,685	330,625
Investments in jointly-controlled entities		110,917	116,738
Available-for-sale financial assets		46,817	49,829
Deferred income tax assets		803	803
Prepaid rentals		4,386	4,847
		<hr/>	<hr/>
Total non-current assets		783,350	773,412
<b>Current assets</b>			
Inventories		16,008	16,983
Accounts receivable	11	57,138	25,390
Prepayments, deposits and other receivables		20,525	31,178
Amount due from a jointly-controlled entity		351	237
Amounts due from related companies		21,565	21,613
Financial assets at fair value through profit or loss	12	449,635	447,451
Income tax refundable		327	–
Cash and bank balances		601,347	632,693
		<hr/>	<hr/>
Total current assets		1,166,896	1,175,545
		<hr/>	<hr/>
<b>Total assets</b>		1,950,246	1,948,957
<b>Current liabilities</b>			
Accounts payable	13	3,883	13,864
Accruals and other payables		6,603	13,453
Amount due to a jointly-controlled entity		25,483	26,302
Income tax payable		2,066	4,382
Financial liabilities at fair value through profit or loss	14	284,282	284,282
Bank borrowing		4,672	4,708
		<hr/>	<hr/>
Total current liabilities		326,989	346,991
		<hr/>	<hr/>
Net current assets		839,907	828,554
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,623,257	1,601,966

**Condensed Consolidated Statement of Financial Position (Cont'd)**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Convertible note		<b>602,612</b>	588,780
Deferred income tax liabilities		<b>13,228</b>	17,207
Bank borrowing		<b>68,365</b>	70,292
		<hr/>	<hr/>
Total non-current liabilities		<b>684,205</b>	676,279
		<hr/>	<hr/>
<b>Net assets</b>		<b>939,052</b>	925,687
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>15</i>	<b>18,505</b>	18,505
Reserves	<i>16</i>	<b>1,678,299</b>	1,674,420
Accumulated losses		<b>(880,221)</b>	(876,657)
		<hr/>	<hr/>
		<b>816,583</b>	816,268
<b>Non-controlling interests</b>		<b>122,469</b>	109,419
		<hr/>	<hr/>
<b>Total equity</b>		<b>939,052</b>	925,687
		<hr/>	<hr/>

## Condensed Consolidated Statement of Changes in Equity

	Unaudited				Total HK\$'000
	Six months ended 30 June 2010				
	Attributable to equity holders of the Company				
	Share Capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000	
Balance as at 1 January 2010	18,505	1,674,420	(876,657)	109,419	925,687
Comprehensive income					
Profit/(loss) for the period	-	-	(17,708)	27,170	9,462
Other comprehensive income:					
Reversal of a temporary difference giving rise to a deferred tax liability	-	4	-	-	4
Fair value loss on available-for-sale financial assets	-	(3,012)	-	-	(3,012)
Currency translation differences	-	217	-	-	217
Total other comprehensive income	-	(2,791)	-	-	(2,791)
Total comprehensive income	-	(2,791)	(17,708)	27,170	6,671
Reversal of revaluation surplus relating to a transfer from investment property to owner-occupied property	-	(24)	24	-	-
Share option scheme:					
- value of employee services	-	6,624	-	-	6,624
- value of other participants' services	-	70	-	-	70
Partial disposal of subsidiaries	-	-	14,120	(14,120)	-
	-	6,670	14,144	(14,120)	6,694
Balance as at 30 June 2010	18,505	1,678,299	(880,221)	122,469	939,052

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

	Unaudited				Total HK\$'000
	Six months ended 30 June 2009				
	Attributable to equity holders of the Company				
Share Capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000		
Balance as at 1 January 2009	18,505	1,647,920	(795,177)	115,564	986,812
Comprehensive income					
Loss for the period	–	–	(43,050)	(9,568)	(52,618)
Other comprehensive income:					
Fair value gain on available-for-sale financial assets	–	9,728	–	–	9,728
Currency translation differences	–	16	–	–	16
Total other comprehensive income	–	9,744	–	–	9,744
Total comprehensive income	–	9,744	(43,050)	(9,568)	(42,874)
Share option scheme:					
– value of employee services	–	6,250	–	–	6,250
– value of other participants' services	–	193	–	–	193
Deregistration of a subsidiary	–	(209)	–	–	(209)
	–	6,234	–	–	6,234
Balance as at 30 June 2009	18,505	1,663,898	(838,227)	105,996	950,172

## Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before changes in working capital	<b>41,370</b>	3,448
Changes in working capital	<b>(37,262)</b>	(54,896)
Income tax paid	<b>(7,414)</b>	(1,646)
	<hr/>	<hr/>
Net cash used in operating activities	<b>(3,306)</b>	(53,094)
Net cash (used in)/generated from investing activities	<b>(27,748)</b>	9,211
Net cash used in financing activities	<b>(292)</b>	–
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(31,346)</b>	(43,883)
Cash and cash equivalents at beginning of the period	<b>632,693</b>	747,681
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>601,347</b>	703,798
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>601,347</b>	703,798
	<hr/>	<hr/>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements 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 condensed consolidated financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2009, except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2010.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 (Revised) requires that a change in ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. The Group applies these revised standards prospectively with effect from 1 January 2010. The adoption of HKAS27 (Revised) has affected the accounting for the Group’s disposal of part of its ownership interests in Globe Team Limited and its subsidiaries (“Globe Team disposal group”) and Century Worldwide Limited and its subsidiaries (“Century Worldwide disposal group”) during the current period. The disposal does not result in the loss of control over both Globe Team disposal group and the Century Worldwide disposal group. Specifically, the change in policy has resulted in the difference of HK\$14,120,000 between the consideration and the non-controlling interests recognised being recognised directly in equity, instead of in profit and loss. Therefore, the change in accounting policy has resulted a non-cash decrease in the profit for the period of HK\$14,120,000.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The adoption of the amendment to HKAS 17 has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease.

Except for the aforementioned financial impacts, the adoption of other new HKFRSs has no significant impact on the Group’s results and financial position.

## 2. Segment information and turnover

The Group's revenue and contribution to profit/(loss) were mainly derived from the provision of lottery systems, game products, terminal equipment and related technologies and marketing services to the public welfare lottery market in China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover				
Income from provision of lottery terminals	<b>61,648</b>	8,433	<b>105,067</b>	17,460
Income from sales of equipment	<b>5,022</b>	3,941	<b>5,082</b>	6,488
Income from provision of consultancy services	<b>210</b>	835	<b>392</b>	835
	<b>66,880</b>	13,209	<b>110,541</b>	24,783

## 3. Costs of sales and services

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation of lottery terminals	<b>9,312</b>	5,141	<b>16,699</b>	13,609
Business tax	<b>3,169</b>	463	<b>5,389</b>	914
Cost of inventories recognised as expense	<b>2,267</b>	1,436	<b>2,295</b>	2,365
Loss on disposal of plant and equipment	–	3,205	–	3,205
Other cost of sales and services	<b>1,648</b>	1,708	<b>2,902</b>	3,796
	<b>16,396</b>	11,953	<b>27,285</b>	23,889

#### 4. Other income and gains

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	1,030	15,058	2,184	15,267
Dividend income on financial assets at fair value through profit or loss	–	572	–	726
Interest income from bank deposits	532	1,326	933	3,852
Rental income	112	144	256	384
Reversal of impairment on other receivables	–	744	–	744
	<b>1,674</b>	<b>17,844</b>	<b>3,373</b>	<b>20,973</b>

#### 5. Finance costs

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest expense on convertible note (Note)	6,916	6,605	13,832	13,211
Interest expense on bank borrowing	158	–	292	–
	<b>7,074</b>	<b>6,605</b>	<b>14,124</b>	<b>13,211</b>

Note: Interest expense on the convertible note is calculated using effective interest method by applying the effective interest rate of 4.7% per annum on zero coupon convertible note issued to International Game Technology (“IGT”) on 1 May 2007.

#### 6. Operating profit/(loss)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating gain/(loss) is stated after charging:				
Staff costs (excluding share options expenses)	11,742	12,902	24,905	22,875
Amortisation of intangible assets	1,632	1,632	3,264	3,264
Depreciation of other items of property, plant and equipment	1,535	1,003	2,810	1,911

## 7. Income tax

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– People's Republic of China ("PRC")				
Enterprise Income Tax	3,728	3,011	5,149	3,378
– Adjustments in respect of prior periods	(51)	75	(51)	75
Deferred tax				
– Origination and reversal of temporary differences	(3,638)	(318)	(3,975)	(636)
	<u>39</u>	<u>2,768</u>	<u>1,123</u>	<u>2,817</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the three months and six months ended 30 June 2010 (2009: Nil and Nil).

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

## 8. Earning/(loss) per share

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
Profit/(loss) for the period attributable to the equity holders of the Company (HK\$'000)	<u>986</u>	<u>(15,743)</u>	<u>(17,708)</u>	<u>(43,050)</u>
<b>Number of shares:</b>				
Weighted average number of ordinary shares in issue for the purpose of calculating basic earning/(loss) per share	<u>7,402,164,000</u>	<u>7,402,164,000</u>	<u>7,402,164,000</u>	<u>7,402,164,000</u>

The computation of diluted earning/(loss) per share for the three months and six months ended 30 June 2010 and 2009 has not assumed the conversion of convertible note and exercise of share options during the periods because their conversion and exercise would increase/reduce the earning/(loss) per share.

## 9. Transfer from investment property to owner-occupied property

In June 2010, an investment property has been reclassified as owner-occupied property included in property, plant and equipment upon change in use having taken place. The fair value of investment property at the date of transfer was HK\$140,000,000.

## 10. Intangible assets

	Goodwill <i>HK\$'000</i>	CLO Contract <i>HK\$'000</i>	Development Cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2010 – Unaudited</b>				
Opening net book amount	294,722	35,903	–	330,625
Acquisition of a subsidiary	52	–	–	52
Additions	–	–	13,272	13,272
Amortisation charge	–	(3,264)	–	(3,264)
	<u>294,774</u>	<u>32,639</u>	<u>13,272</u>	<u>340,685</u>
Closing net book amount	<u>294,774</u>	<u>32,639</u>	<u>13,272</u>	<u>340,685</u>

## 11. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	Unaudited As at 30 June 2010 <i>HK\$'000</i>	Audited As at 31 December 2009 <i>HK\$'000</i>
0 – 30 days	21,939	11,296
31 – 60 days	16,341	5,924
61 – 90 days	15,717	6,338
Over 90 days	3,141	1,832
	<u>57,138</u>	<u>25,390</u>

## 12. Financial assets at fair value through profit and loss

	Unaudited As at 30 June 2010 <i>HK\$'000</i>	Audited As at 31 December 2009 <i>HK\$'000</i>
Unlisted equity investment	80,925	78,741
Early redemption option embedded in convertible note at fair value	368,710	368,710
	<u>449,635</u>	<u>447,451</u>

### 13. Accounts payable

Ageing analysis of accounts payable is as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2009</b> <i>HK\$'000</i>
0 – 30 days	808	13,641
31 – 60 days	232	–
61 – 90 days	278	–
Over 90 days	2,565	223
	<u>3,883</u>	<u>13,864</u>

### 14. Financial liabilities at fair value through profit and loss

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2009</b> <i>HK\$'000</i>
Redemption option held by a noteholder embedded in convertible note at fair value	284,282	284,282

### 15. Share capital

	<b>Unaudited</b> <b>Authorised ordinary shares</b> <i>Number of</i> <i>shares</i>	<i>HK\$'000</i>
As at 1 January 2010 and 30 June 2010	<u>16,000,000,000</u>	<u>40,000</u>

  

	<b>Unaudited</b> <b>Issued and fully paid</b> <b>ordinary shares</b> <i>Number of</i> <i>shares</i>	<i>HK\$'000</i>
As at 1 January 2010 and 30 June 2010	<u>7,402,164,000</u>	<u>18,505</u>

## 16. Reserves

	Unaudited							Total <i>HK\$'000</i>
	Six months ended 30 June 2010							
	Share premium <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Available- for-sale investments <i>HK\$'000</i>	
Balance as at 1 January 2010	1,546,166	20,080	15,158	31,317	46,696	11,974	3,029	1,674,420
Share option scheme:								
– value of employee services	-	-	-	-	6,624	-	-	6,624
– value of other participants' services	-	-	-	-	70	-	-	70
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(3,012)	(3,012)
Currency translation differences								
– overseas jointly-controlled entities	-	-	-	217	-	-	-	217
Reversal of revaluation surplus relating to a transfer from investment property to owner-occupied property	-	-	-	-	-	(24)	-	(24)
Reversal of a temporary difference giving rise to a deferred tax liability	-	-	-	-	-	4	-	4
<b>Balance as at 30 June 2010</b>	<b>1,546,166</b>	<b>20,080</b>	<b>15,158</b>	<b>31,534</b>	<b>53,390</b>	<b>11,954</b>	<b>17</b>	<b>1,678,299</b>
	Unaudited							Total <i>HK\$'000</i>
	Six months ended 30 June 2009							
	Share premium <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Available- for-sale investments <i>HK\$'000</i>	
Balance as at 1 January 2009	1,546,166	20,080	15,158	31,257	36,145	11,974	(12,860)	1,647,920
Share option scheme:								
– value of employee services	-	-	-	-	6,250	-	-	6,250
– value of other participants' services	-	-	-	-	193	-	-	193
Deregistration of a subsidiary	-	-	-	(209)	-	-	-	(209)
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	9,728	9,728
Currency translation differences								
– overseas jointly-controlled entities	-	-	-	16	-	-	-	16
<b>Balance as at 30 June 2009</b>	<b>1,546,166</b>	<b>20,080</b>	<b>15,158</b>	<b>31,064</b>	<b>42,588</b>	<b>11,974</b>	<b>(3,132)</b>	<b>1,663,898</b>

## 17. Operating lease commitments

As at 30 June 2010, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of rented premises as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2010</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2009</b> <b>HK\$'000</b>
No later than one year	5,900	6,768
Later than one year and no later than five years	2,142	3,832
	<u>8,042</u>	<u>10,600</u>

## 18. Related party transactions

<b>Nature of transactions</b>	<b>Unaudited</b> <b>Six months ended</b> <b>30 June</b> <b>2010</b> <b>HK\$'000</b>	<b>2009</b> <b>HK\$'000</b>
Rental income from a subsidiary of a substantial shareholder of the Company	–	672
Rental income from a company in which substantial shareholders of the Company have significant influence	256	–

## 19. Acquisition of a subsidiary

On 8 June 2010, the Group acquired 100% control of 北京赢彩通科技有限公司 (“赢彩通”) for a total cash consideration of RMB5,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising from the acquisition was approximately RMB45,698. The acquiree's carrying amount and fair value of unaudited assets and liabilities acquired in the transaction are cash and bank balances of RMB22,369, prepayments, deposits and other receivables of RMB4,932,100 and accruals and other payable of RMB167. 赢彩通 is engaged in the development of mobile phone lottery for lottery business in the PRC.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is principally engaged in the business of provision of lottery systems, game products, terminal equipment and related technologies and marketing services to the public welfare lottery market in China. Through proactive efforts and strong operation management, the Group has established good reputation in the public welfare lottery market in China. For the first half of the year, the Group recorded total turnover exceeding HKD110 million, or gross profit margin exceeding 75%, representing growth of more than 346% over the same period of 2009.

### **BUSINESS REVIEW**

For the first half of the year, the total sales of the public welfare lotteries (including both Welfare Lottery and Sport Lottery) exceeded RMB77 billion, representing an increase of more than 22% over the same period of 2009.

Business development of the Group has maintained good momentum, with steady progress made in all business segments including CTG and high frequency lottery, video lottery and mobile lottery. On CTG and video lottery, the Group has continuously enhanced the technological innovation capabilities and strengthened the standard of project management while maintaining close cooperation with leaders in the global lottery industry. On mobile lottery, further substantial breakthroughs have been achieved, establishing the Group's leading position in the industry in technology provision and winning several contracts from its cooperation partners to reinforce its participation in the entire mobile lottery value chain.

### **Video Lottery Business**

#### ***China Welfare Lottery Video Lottery (VLT) Business***

The Group is the exclusive equipment provider for Welfare Lottery's video lottery product (VLT), which is a nationwide game approved by the Ministry of Finance (MOF) of China and issued by the China Welfare Lottery Centre (CWLC). From January to June 2010, with the continuous improvement of operation standard and management for VLT, new sales venues are being added constantly and sales are increasing steadily. VLT is well received by the market. Sales of VLT nationwide in the first and second quarter reached RMB1.42 billion and RMB2.12 billion respectively, representing a 49% growth quarter-on-quarter. Currently, average daily sales of VLT nationwide have exceeded RMB20 million. The Group endeavours to further enhance its technical strength as well as project management standard on video lottery with a dedicated management team and well-developed new product.

## **CTG and High Frequency Lottery Business**

### ***CTG Business***

The Group is the exclusive supplier of CTG betting terminal equipment to Welfare Lottery in Guangdong province, and supplies lottery-related equipment including lottery ticket scanners and readers to other overseas and domestic and Sport Lottery and Welfare Lottery customers. Currently, Guangdong province continues to maintain its position as the leading welfare lotteries selling province in China. Sales of welfare lotteries in the Province from January to June of 2010 have increased by approximately 35% over the same period of last year. This business has consistently contributed stable cash flow to the Group. In addition, the Group is actively exploring overseas markets for its new multifunction lottery betting terminals, with an aim to obtain more orders from European and South East Asian countries.

### ***High Frequency Lottery Business (KENO)***

CLS-GTECH Company Limited, a joint venture company between the Group and GTECH Corporation, is the provider of the system, terminals and operation maintenance for KENO, the Welfare Lottery's high frequency product, now in stable operation in eight provinces including Liaoning, Hebei, Sichuan, Hunan, Shanxi, Gansu, Shandong and Jilin. In the quarter under review, a new game on the product has been tested and rolled out in six of these provinces. More terminals are being connected in all the provinces while the scale of terminal installed base in certain regions is ramping up. Sales of KENO have increased steadily following such initiatives. Experience in the China lottery market has proved KENO to be an incremental product to existing product offerings. The forthcoming task of the Group is to assist the issuance authority proactively in meeting their requirements on system and terminal equipment, as well as marketing and operational initiatives to broaden game offerings on KENO. Management believes this business will continue to contribute long-term stable revenue for the Group.

### **Mobile lottery business**

The Group is one of the technology pioneers approved to provide mobile lottery service in China. The Group's mobile lottery business has progressed swiftly with products being enhanced and various business co-operations taking place smoothly. With mobile betting contracts secured with the provinces and municipalities expeditiously, the Group's strength in mobile lottery business has been well recognized by its cooperation partners. Following the agreement with Vogins Technology in the first quarter, the Group has commenced its cooperation with major enterprises in the Mainland including China Unicom, Bank of Communications and Lenovo, establishing a strong foothold in the entire business chain. Given the strong marketing capabilities and customer base of the cooperation partners, the various partnerships are set to have positive impact on the Group's mobile lottery business.

## **Other lottery business**

The Group is collaborating with its strategic partners including GTECH and IGT to develop a wide variety of lottery-related products tailored to the China market, designed to help enhance the capabilities of the China lottery industry in areas such as R & D of systems and games, design and manufacture of terminal equipment, and operation & maintenance, to improve and enrich the variety and content of games, as well as to introduce the skills and management techniques of responsible lottery, in a bid to secure further business opportunities for the Group in the development of the lottery market in China.

## **OUTLOOK**

The current China lottery market has maintained strong growth momentum after more than 20 years of development. The Group remains optimistic about the prospects of lottery development in China.

Looking ahead to the second half of 2010, the Group will endeavour to further develop its principal businesses in light of their respective status and extent of development and market trend, and to maintain and enhance the technology and management standard of each business segment. As the terminal equipment supplier for VLT, the Welfare Lottery's video lottery game, and as the exclusive supplier of terminal equipment and system for KENO, the Welfare Lottery's high frequency game run under a nationwide system, the Group will continue to assist CWLC in its various initiatives in 2010 for enhancement of technical strength and operation & maintenance standard. In particular, KENO, an internationally proven high frequency lottery product, has been given more recognition and emphasis by the regulatory authorities including MOF and CWLC after its stable development in China in the last few years. The prospect is bright for the product. As the supplier of CTG betting terminal equipment to Welfare Lottery in Guangdong province, the Group will endeavour to expand the business to other provinces across China. The prevalence of Three Networks Integration (三網融合) and Mobile Internet Application in China provides an opportune time for the development of mobile lottery business, where the Group has developed comprehensive technical and market development capabilities, gaining full penetration in the business chain. Going forward, the Group will continue to broaden and expand the cooperation with its partners in this area. In the second half of the year, the Group will continue to proactively seek and make attempts on the development of new lottery technologies as well as new distribution channels, and collaborate with its strategic partners to capture opportunities in emerging markets.

The Group will continue to focus on the lottery business in China. Through constant business development, the Group seeks to participate in all major parts of the lottery value chain for further business opportunities and growth. Meanwhile, the Group will identify potential and profitable investment opportunities, including businesses that serve shareholder interests and contribute strategic values, enhance its business portfolio, strengthen its revenue base and profitability, in order to provide long-term and stable returns to its shareholders.

## **FINANCIAL REVIEW**

In the first half of 2010, the Group recorded a turnover of approximately HK\$110.5 million (the first half of 2009: HK\$24.8 million), representing an increase of approximately 346% over the same period of last year. Loss attributable to equity holders for the first half of 2010 amounted to approximately HK\$17.7 million, as compared with the loss of approximately HK\$43.1 million in the first half of 2009. Due to improving sales from VLT business, the Group recorded approximately HK\$1 million profit attributable to equity holders for the second quarter of 2010 compared with the loss of approximately HK\$15.7 million in the second quarter of 2009.

## **Liquidity, Financial Resources, Gearing Ratio and Capital Structure**

As at 30 June 2010, the Group did not have any outstanding guarantee and indemnity under treasury facilities provided by bank (as at 31 December 2009: HK\$30 million). At 30 June 2010, the Group had an outstanding corporate guarantee for unlimited amount for banking facilities of property installment loan of HK\$75 million granted to the subsidiary of the Company.

The Group believes that the available financial resources will sufficiently fund its capital and operating requirements. The Group had outstanding bank borrowing as at 30 June 2010 of HK\$73 million (as at 31 December 2009: HK\$75 million). The Group's self-occupied property was pledged to secure this bank borrowing.

The Group's total equity amounted to approximately HK\$939.1 million as at 30 June 2010 (as at 31 December 2009: HK\$925.7 million). As at 30 June 2010, net current asset of the Group amounted to approximately HK\$839.9 million (as at 31 December 2009: HK\$828.6 million), including approximately HK\$601.3 million in cash and deposits with banks (as at 31 December 2009: HK\$632.7 million).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 30 June 2010 was approximately 51.9% (as at 31 December 2009: 52.5%).

### **Exposure to Exchange Rates Fluctuation**

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

### **Pledge of Asset**

As at 30 June 2010, the Group's self-occupied property at book value of approximately HK\$139.8 million was pledged to bank to secure the bank borrowing granted to the Group (as at 31 December 2009: Investment property of HK\$140 million).

### **Contingent Liabilities**

As at 30 June 2010, the Group did not have any material contingent liabilities (as at 31 December 2009: Nil).

### **Staff**

As at 30 June 2010, the Group employed 310 staff. The management believes that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

## SHARE OPTION SCHEME

As at 30 June 2010, there were options for 372,400,000 shares of HK\$0.0025 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 30 July 2002 (the “Option Scheme”), which were valid and outstanding.

Movements of share options granted under the Option Scheme during the six months ended 30 June 2010:

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2010	movement during the period	held as at 30/6/2010	
<b>(i) Directors</b>								
LAU Ting	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	–	600,000	0.008%
							2,400,000	0.032%
CHAN Shing	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	–	600,000	0.008%
							2,400,000	0.032%
WU Jingwei	11/01/2007	0.445	01/01/2008	31/12/2011	2,000,000	–	2,000,000	0.027%
	11/01/2007	0.445	01/01/2009	31/12/2011	2,000,000	–	2,000,000	0.027%
	11/01/2007	0.445	01/01/2010	31/12/2011	2,000,000	–	2,000,000	0.027%
	11/01/2007	0.445	01/01/2011	31/12/2011	2,000,000	–	2,000,000	0.027%
	04/07/2007	0.975	01/01/2008	31/12/2013	1,200,000	–	1,200,000	0.016%
	04/07/2007	0.975	01/01/2009	31/12/2013	1,200,000	–	1,200,000	0.016%
	04/07/2007	0.975	01/01/2010	31/12/2013	1,200,000	–	1,200,000	0.016%
	04/07/2007	0.975	01/01/2011	31/12/2013	1,200,000	–	1,200,000	0.016%
	04/07/2007	0.975	01/01/2012	31/12/2013	800,000	–	800,000	0.011%
	13/11/2007	0.960	01/01/2008	31/12/2011	8,000,000	–	8,000,000	0.108%
	13/11/2007	0.960	01/01/2009	31/12/2011	8,000,000	–	8,000,000	0.108%
	13/11/2007	0.960	01/01/2010	31/12/2011	8,000,000	–	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,000,000	–	2,000,000	0.027%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,400,000	–	3,400,000	0.046%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,400,000	–	3,400,000	0.046%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,400,000	–	3,400,000	0.046%
	02/10/2009	0.500	01/09/2013	31/08/2014	3,400,000	–	3,400,000	0.046%
							59,200,000	0.800%

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2010	movement during the period	held as at 30/6/2010	
LIAO Yuang-whang	18/09/2007	0.904	18/09/2008	17/09/2011	3,200,000	–	3,200,000	0.043%
	18/09/2007	0.904	18/09/2009	17/09/2011	2,800,000	–	2,800,000	0.038%
	13/11/2007	0.960	18/09/2008	17/09/2012	8,000,000	–	8,000,000	0.108%
	13/11/2007	0.960	18/09/2009	17/09/2012	8,000,000	–	8,000,000	0.108%
	13/11/2007	0.960	18/09/2010	17/09/2012	8,000,000	–	8,000,000	0.108%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,000,000	–	2,000,000	0.027%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,000,000	–	2,000,000	0.027%
	02/10/2009	0.500	01/09/2010	31/08/2014	3,500,000	–	3,500,000	0.047%
	02/10/2009	0.500	01/09/2011	31/08/2014	3,500,000	–	3,500,000	0.047%
	02/10/2009	0.500	01/09/2012	31/08/2014	3,500,000	–	3,500,000	0.047%
	02/10/2009	0.500	01/09/2013	31/08/2014	3,500,000	–	3,500,000	0.047%
							52,000,000	0.702%
HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	–	17,600,000	0.238%
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	–	17,600,000	0.238%
	06/04/2009	0.500	12/09/2009	11/09/2012	6,000,000	–	6,000,000	0.081%
	06/04/2009	0.500	12/09/2010	11/09/2012	6,000,000	–	6,000,000	0.081%
	06/04/2009	0.500	12/09/2011	11/09/2012	6,000,000	–	6,000,000	0.081%
						53,200,000	0.719%	
HUANG Shenglan	08/06/2006	0.305	08/06/2007	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	–	600,000	0.008%
						2,400,000	0.032%	
CHAN Ming Fai	08/06/2006	0.305	08/06/2008	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2009	07/06/2011	600,000	–	600,000	0.008%
	08/06/2006	0.305	08/06/2010	07/06/2011	600,000	–	600,000	0.008%
						1,800,000	0.024%	

Participants	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2010	movement during the period	held as at 30/6/2010	
(ii) Continuous contract employees	08/06/2006	0.305	08/06/2007	07/06/2011	8,600,000	–	8,600,000	0.116%
	08/06/2006	0.305	08/06/2008	07/06/2011	11,000,000	–	11,000,000	0.149%
	08/06/2006	0.305	08/06/2009	07/06/2011	11,000,000	–	11,000,000	0.149%
	08/06/2006	0.305	08/06/2010	07/06/2011	11,000,000	–	11,000,000	0.149%
	11/05/2007	0.775	02/05/2008	01/05/2014	1,800,000	–	1,800,000	0.024%
	11/05/2007	0.775	02/05/2009	01/05/2014	1,800,000	–	1,800,000	0.024%
	11/05/2007	0.775	02/05/2010	01/05/2014	1,800,000	–	1,800,000	0.024%
	11/05/2007	0.775	02/05/2011	01/05/2014	1,800,000	–	1,800,000	0.024%
	11/05/2007	0.775	02/05/2012	01/05/2014	1,800,000	–	1,800,000	0.024%
	11/05/2007	0.775	02/05/2013	01/05/2014	3,000,000	–	3,000,000	0.041%
	04/07/2007	0.975	02/05/2008	03/07/2012	400,000	–	400,000	0.005%
	04/07/2007	0.975	02/05/2009	03/07/2012	400,000	–	400,000	0.005%
	02/10/2007	0.920	01/01/2008	31/12/2011	1,500,000	–	1,500,000	0.020%
	02/10/2007	0.920	01/01/2009	31/12/2011	1,500,000	–	1,500,000	0.020%
	13/11/2007	0.960	01/01/2008	31/12/2011	1,000,000	–	1,000,000	0.014%
	13/11/2007	0.960	01/01/2009	31/12/2011	1,000,000	–	1,000,000	0.014%
	25/08/2008	0.500	11/03/2009	10/03/2013	600,000	–	600,000	0.008%
	25/08/2008	0.500	11/03/2010	10/03/2013	600,000	–	600,000	0.008%
	25/08/2008	0.500	11/03/2011	10/03/2013	600,000	–	600,000	0.008%
	25/08/2008	0.500	11/03/2012	10/03/2013	600,000	–	600,000	0.008%
	25/08/2008	0.500	25/08/2009	24/08/2013	2,550,000	–	2,550,000	0.034%
	25/08/2008	0.500	25/08/2010	24/08/2013	2,550,000	–	2,550,000	0.034%
	25/08/2008	0.500	25/08/2011	24/08/2013	2,550,000	–	2,550,000	0.034%
	25/08/2008	0.500	25/08/2012	24/08/2013	2,550,000	–	2,550,000	0.034%
	06/04/2009	0.500	04/01/2010	03/01/2013	400,000	(400,000)	–	–
	06/04/2009	0.500	04/01/2011	03/01/2013	400,000	(400,000)	–	–
	06/04/2009	0.500	04/01/2012	03/01/2013	400,000	(400,000)	–	–
	09/04/2009	0.500	17/08/2009	16/08/2013	400,000	–	400,000	0.005%
	09/04/2009	0.500	17/08/2010	16/08/2013	400,000	–	400,000	0.005%
	09/04/2009	0.500	17/08/2011	16/08/2013	400,000	–	400,000	0.005%
	09/04/2009	0.500	17/08/2012	16/08/2013	400,000	–	400,000	0.005%
	15/06/2009	0.500	15/06/2010	14/06/2015	5,000,000	–	5,000,000	0.068%
	15/06/2009	0.500	15/06/2011	14/06/2015	5,000,000	–	5,000,000	0.068%
	17/08/2009	0.500	17/02/2010	16/08/2014	41,000,000	–	41,000,000	0.554%
	17/08/2009	0.500	17/08/2010	16/08/2013	1,500,000	(1,500,000)	–	–
	17/08/2009	0.500	17/08/2010	16/08/2014	41,000,000	–	41,000,000	0.554%
	02/10/2009	0.500	01/09/2010	31/08/2014	1,750,000	(300,000)	1,450,000	0.020%
	02/10/2009	0.500	01/09/2011	31/08/2014	1,750,000	(300,000)	1,450,000	0.020%
	02/10/2009	0.500	01/09/2012	31/08/2014	1,750,000	(300,000)	1,450,000	0.020%
	02/10/2009	0.500	01/09/2013	31/08/2014	1,750,000	(300,000)	1,450,000	0.020%
	04/12/2009	0.500	04/06/2010	03/12/2012	5,000,000	–	5,000,000	0.068%
04/12/2009	0.500	04/12/2010	03/12/2012	5,000,000	–	5,000,000	0.068%	
04/12/2009	0.500	04/06/2011	03/12/2012	5,000,000	–	5,000,000	0.068%	
						186,400,000	2.518%	

Participants	Date of grant	Exercise price per share <i>HK\$</i>	Exercise period from                      until		No. of shares under the options			Approximate percentage of the Company's issued share capital
					held as at 1/1/2010	movement during the period	held as at 30/6/2010	
(iii) Other participants	08/06/2006	0.305	08/06/2008	07/06/2011	4,000,000	–	4,000,000	0.054%
	08/06/2006	0.305	08/06/2009	07/06/2011	4,000,000	–	4,000,000	0.054%
	08/06/2006	0.305	08/06/2010	07/06/2011	4,000,000	–	4,000,000	0.054%
	25/08/2008	0.500	25/08/2009	24/08/2013	150,000	–	150,000	0.002%
	25/08/2008	0.500	25/08/2010	24/08/2013	150,000	–	150,000	0.002%
	25/08/2008	0.500	25/08/2011	24/08/2013	150,000	–	150,000	0.002%
	25/08/2008	0.500	25/08/2012	24/08/2013	150,000	–	150,000	0.002%
							12,600,000	0.170%
				Total:	376,300,000	(3,900,000)	372,400,000	

During the six months ended 30 June 2010, a total of 3,900,000 options were lapsed and no options were granted, exercised or cancelled.



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

As at 30 June 2010, 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)	1,517,023,747(L)	20.49%(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)	20.49%(L)
		(Note 4)	23,093,192(S)	23,093,192(S)	0.31%(S)
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 were held by Hang Sing Overseas Limited ("Hang Sing") which was owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 580,932,594 shares were held by Glory Add Limited ("Glory Add") which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 shares were held by Burwill Holdings Limited ("Burwill") of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. 23,093,192 shares held by Hang Sing were in short positions.
- 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**

As at 30 June 2010, certain Directors of the Company had the interests in respect of options to subscribe for the shares of the Company under the Option Scheme. Details of their interests in the share options of the Company are separately disclosed in the section “Share Option Scheme”.

Save as otherwise disclosed above, as at 30 June 2010, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2010, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company:

### (1) Interests in Shares of the Company

Name of Shareholder	Number of shares				Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests	Total	
Burbank John H.	-	-	1,109,238,800(L)	1,109,238,800(L) <i>(note 1)</i>	14.99%(L)
Passport Capital, LLC	-	1,109,238,800(L)	-	1,109,238,800(L) <i>(note 1)</i>	14.99%(L)
Passport Management, LLC	-	1,109,238,800(L)	-	1,109,238,800(L) <i>(note 1)</i>	14.99%(L)
Ward Ferry Management (BVI) Limited	-	730,322,000(L)	-	730,322,000(L) <i>(note 2)</i>	9.87%(L)
JP Morgan Chase & Co.	-	672,269,852(L) 8,000(S) 634,014,506(P)	-	672,269,852(L) 8,000(S) 634,014,506(P) <i>(note 3)</i>	9.08%(L) 0.00%(S) 8.57%(P)
Atlantis Investment Management Limited	-	665,000,000(L)	-	665,000,000(L) <i>(note 4)</i>	8.98%(L)
Liu Yang	-	665,000,000(L)	-	665,000,000(L) <i>(note 4)</i>	8.98%(L)

Name of Shareholder	Number of shares			Total	Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests		
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy	662,128,800(L)	–	–	662,128,800(L) <i>(note 1)</i>	8.95%(L)
Favor King Limited	–	–	582,864,906(L)	582,864,906(L) <i>(note 5)</i>	7.87%(L)
Legg Mason Inc	–	474,976,000(L)	–	474,976,000(L) <i>(note 6)</i>	6.42%(L)
Passport Special Opportunities Master Fund, LP	448,910,000(L)	–	–	448,910,000(L) <i>(note 1)</i>	6.06%(L)
International Game Technology	373,600,000(L)	–	–	373,600,000(L)	5.05%(L)

*Notes:*

1. Passport Management, LLC was the investment manager of various funds. One of these funds was Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy and Passport Special Opportunities Master Fund, LP. Passport Capital, LLC was the sole managing member to Passport Management, LLC and Burbank John H. was the sole managing member to Passport Capital, LLC. The above information was notified by Passport Capital, LLC.
2. 368,988,000 shares were held by WF Asia Fund Limited, 15,484,000 shares were held by Arrow WF Asia Fund, 115,120,000 shares were held by WF Asian Reconnaissance Fund Limited and 230,730,000 shares were held by WF Asian Smaller Companies Fund Limited. Ward Ferry Management (BVI) Limited was the investment manager of these funds or companies.

3. 634,014,506 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co.. 38,024,346 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.. 8,000 shares, represented the short position shares, were held by J.P. Morgan Securities Ltd which in turn was owned by J.P. Morgan Chase International Holdings, a company which was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn 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.
4. Ms. Liu Yang held the interest through Atlantis Investment Management Limited and Atlantis Investment Management (Hong Kong) Limited. These shares represent the same block of interest held by Atlantis Investment Management Limited and Ms. Liu Yang.
5. 1,932,312 shares were held by Burwill and 580,932,594 shares were held by Glory Add. These shares formed part of the interests of Ms. LAU Ting and Mr. CHAN Shing.
6. These shares were held by Legg Mason International Equities (Singapore) Pte Limited which was wholly-owned by LM International Holding LP (“LM International”). LM International was wholly-owned by Legg Mason International Holdings II, LLC, a company which was wholly-owned by Legg Mason Inc.
7. The letter “L” denotes long position(s), the letter “S” denotes short position(s) and the letter “P” denotes lending pool(s).

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

As at 30 June 2010, International Game Technology had a derivative interest in 575,916,228 shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Save as disclosed above, as at 30 June 2010, 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 six months ended 30 June 2010.

## **DISCLOSURE OF INFORMATION ON DIRECTORS**

Mr. HOONG Cheong Thard has been appointed as a director of Land & General Berhad, a company listed in Bursa Malaysia, with effect from 1 June 2010.

## **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 interim results of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2010, except for the deviations from Code provisions A2.1, A4.1 and A4.2.

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

Although some of the Non-Executive Directors of the Company are not appointed for a specific term as is stipulated in Code provision A4.1, all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairperson or Managing Director, by rotation at least once every three years. The Chairperson is not subject to retirement by rotation as is stipulated in Code provision A.4.2 as the Board considers that the continuity of office of the Chairperson provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

## **REQUIRED STANDARD OF DEALING REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings regarding securities transactions by directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the “Code of Conduct”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the six months ended 30 June 2010.

On behalf of the Board  
**LAU Ting**  
*Chairperson*

Hong Kong, 3 August 2010

*As at the date of this announcement, the Board comprises Ms. LAU Ting, Mr. CHAN Shing, Mr. WU Jingwei and Mr. LIAO Yuang-whang as Executive Directors; Mr. HOONG Cheong Thard and Mr. Paulus Johannes Cornelis Aloysius KARSKENS as Non-executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-executive Directors.*

*This announcement, for which the Directors 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 announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*