



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 2008

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.

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

INTERIM FINANCIAL STATEMENTS

The Board of Directors of China LotSynergy Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2008, together with the comparative unaudited figures for the corresponding periods in 2007, as follows:

Condensed Consolidated Income Statement

		Unaudited			
		Three months ended 30 June		Six months ended 30 June	
	Notes	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	16,598	58,995	74,088	102,723
Costs of sales and services	3	(14,077)	(7,715)	(29,560)	(13,984)
Gross profit		2,521	51,280	44,528	88,739
Other income and gains		10,081	5,611	20,009	8,069
General and administrative expenses		(25,737)	(14,110)	(43,764)	(26,291)
Finance costs	4	(6,309)	(2,047)	(12,618)	(2,047)
Share option expenses		(6,224)	(5,265)	(13,392)	(10,832)
Operating (loss)/profit	5	(25,668)	35,469	(5,237)	57,638
Share of profit less loss of jointly-controlled entities		(3,015)	-	(5,238)	-
Share of profit less loss of associates		-	(4,006)	-	(6,509)
(Loss)/Profit before income tax		(28,683)	31,463	(10,475)	51,129
Income tax	6	1,184	37	(602)	37
(Loss)/Profit for the period		<u>(27,499)</u>	<u>31,500</u>	<u>(11,077)</u>	<u>51,166</u>
Attributable to:					
Equity holders of the Company		(23,969)	8,193	(22,942)	10,999
Minority interests		<u>(3,530)</u>	<u>23,307</u>	<u>11,865</u>	<u>40,167</u>
		<u>(27,499)</u>	<u>31,500</u>	<u>(11,077)</u>	<u>51,166</u>
(Loss)/Earnings per share					
attributable to the equity holders					
of the Company during the period					
- basic - HK Cent	7	<u>(0.32)</u>	<u>0.11</u>	<u>(0.31)</u>	<u>0.15</u>
- diluted	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2008 HK\$'000	Audited As at 31 December 2007 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		126,836	141,974
Leasehold land	8	-	97,548
Investment property	8	120,000	-
Intangible assets		1,195,565	1,183,681
Investments in jointly-controlled entities		88,617	90,954
Available-for-sale financial asset		46,800	-
Deferred income tax assets		1,089	1,030
Prepaid rentals		6,232	6,334
Total non-current assets		1,585,139	1,521,521
Current assets			
Inventories		16,385	12,159
Accounts receivable	9	30,301	74,740
Prepayments, deposits and other receivables		20,129	16,203
Amount due from a jointly-controlled entity		7,878	7,877
Amounts due from related companies		23,013	24,289
Financial assets at fair value through profit or loss		232,278	192,294
Deposit with a financial institution		-	17,287
Cash and bank balances		803,654	993,269
Total current assets		1,133,638	1,338,118
Total assets		2,718,777	2,859,639
Current liabilities			
Accounts payable	10	9,020	11,986
Accruals and other payables		9,359	26,009
Amount due to a jointly-controlled entity		31,051	44,345
Amounts due to related companies		141	133
Income tax payable		2,400	2,306
Financial liability at fair value through profit or loss		123,230	123,230
Total current liabilities		175,201	208,009
Net current assets		958,437	1,130,109
Total assets less current liabilities		2,543,576	2,651,630
Non-current liabilities			
Convertible note		549,738	537,119
Deferred income tax liabilities		13,688	13,907
Total non-current liabilities		563,426	551,026
Net assets		1,980,150	2,100,604
Capital and reserves			
Share capital	11	18,505	19,142
Reserves	12	1,665,984	1,753,095
Retained profit		109,881	132,823
Capital and reserves attributable to equity holders of the Company		1,794,370	1,905,060
Minority interests		185,780	195,544
Total equity		1,980,150	2,100,604

Condensed Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2008

	Attributable to equity holders of the Company				
	Share Capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2008	19,142	1,753,095	132,823	195,544	2,100,604
Currency translation difference	-	13,106	-	5,235	18,341
Net income recognised directly in equity	-	13,106	-	5,235	18,341
Loss for the period	-	-	(22,942)	11,865	(11,077)
Total recognised income for the period	-	13,106	(22,942)	17,100	7,264
Transfer from land and building to investment property	-	14,340	-	-	14,340
Repurchase of shares	(637)	(127,949)	-	-	(128,586)
Share option scheme:					
- value of employee services	-	10,751	-	-	10,751
- value of other participants' services	-	2,641	-	-	2,641
Dividends paid to minority shareholders	-	-	-	(11,100)	(11,100)
Deregistration of a subsidiary	-	-	-	(15,764)	(15,764)
	(637)	(100,217)	-	(26,864)	(127,718)
Balance as at 30 June 2008	18,505	1,665,984	109,881	185,780	1,980,150

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

Unaudited six months ended 30 June 2007

Attributable to equity holders of the Company

	Share Capital HK\$ '000	Reserves HK\$ '000	Retained profit/ (Accumulated losses) HK\$ '000	Minority interest HK\$ '000	Total HK\$ '000
Balance as at 1 January 2007	17,726	1,414,346	(87,346)	91,010	1,435,736
Currency translation difference	-	6,878	-	2,228	9,106
Net income recognised directly in equity	-	6,878	-	2,228	9,106
Profit for the period	-	-	10,999	40,167	51,166
Total recognised income for the period	-	6,878	10,999	42,395	60,272
Reduction of share premium	-	(87,346)	87,346	-	-
Share option scheme:					
- value of employee services	-	9,887	-	-	9,887
- value of other participants' services	-	945	-	-	945
- issue of shares under share option scheme	18	2,918	-	-	2,936
- vested share option cancelled	-	(365)	365	-	-
Issue of shares under subscription agreement	934	251,246	-	-	252,180
Share issue expenses	-	(6,354)	-	-	(6,354)
Convertible note - equity component	-	24,842	-	-	24,842
Deferred tax on convertible note	-	(4,762)	-	-	(4,762)
	952	191,011	87,711	-	279,674
Balance as at 30 June 2007	18,678	1,612,235	11,364	133,405	1,775,682

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	52,303	64,223
Net cash used in investing activities	(111,230)	(63,834)
Net cash (used in) / generated from financing activities	(139,686)	803,686
Net (decrease) / increase in cash and cash equivalents	(198,613)	804,075
Effect of foreign exchange rate changes	8,998	1,299
Cash and cash equivalents, beginning of period	993,269	310,620
Cash and cash equivalents, end of period	803,654	1,115,994
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	803,654	1,115,994

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements has been prepared in accordance with Hong Kong Accounting Standards 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 2007.

The Group has applied the following accounting policy in the preparation of these unaudited condensed consolidated financial statements during the period:

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use, and any difference at the date between the carrying amount and the fair value of the property is accounted for as a revaluation. Increases in the carrying amount arising on revaluation are credited to other reserves in shareholders’ equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

The Group has adopted the standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2008. The adoption of such standards, amendment and interpretations did not have material effect on these financial statements.

2. Segment information and turnover

For the six months ended 30 June 2008 and 2007, over 90% of the Group’s revenue were derived from the investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. Accordingly, no business segment information is presented.

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Income from provision of lottery terminals and systems	14,401	58,981	70,476	102,690
Income from sales of lottery equipment	1,829	-	3,168	-
Income from provision of consultancy and maintenance services	368	14	444	33
	16,598	58,995	74,088	102,723

3. Costs of sales and services

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of lottery terminals	8,279	3,544	16,409	6,525
Business tax	452	3,060	3,078	5,289
Cost of inventories recognised as expense	839	-	1,294	-
Other cost of sales and services	4,507	1,111	8,779	2,170
	14,077	7,715	29,560	13,984

4. Finance costs

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued interest on convertible note	6,309	2,047	12,618	2,047

Interest on the convertible note is calculated using effective interest method by applying the effective interest rate of 4.7% per annum.

5. Operating (loss)/profit

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating (loss)/profit is stated after charging:				
Staff costs (excluding share options expenses)	10,305	6,134	21,360	12,277
Amortisation of intangible assets	1,632	1,632	3,264	3,264
Depreciation of other items of property, plant and equipment	985	249	1,544	467
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
- People's Republic of China ("PRC") Enterprise Income Tax	(1,141)	-	3,045	-
(Over)/under provision in prior year				
- PRC Enterprise Income Tax	67	-	(2,224)	-
Deferred income tax	(110)	(37)	(219)	(37)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(1,184)</u>	<u>(37)</u>	<u>602</u>	<u>(37)</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 2008 (2007: 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.

7. (Loss)/Earnings per share

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to the equity holders of the Company for the purpose of calculating basic and diluted (loss)/earnings per share	(23,969)	8,193	(22,942)	10,999
Number of shares:				
Weighted average number of ordinary shares in issue for the purpose of calculating basic (loss)/earnings per share	7,402,547,780	7,216,659,112	7,489,150,176	7,153,493,556

The computation of diluted (loss)/earnings per share for the three months and six months ended 30 June 2008 and 2007 has not assumed the conversion of convertible note and exercise of share options during the periods because their conversion and exercise would reduce the loss per share or increase the earnings per share.

8. Leasehold land and investment property

In April 2008, a leasehold land and building has been reclassified as investment property for earning rentals and/or capital appreciation. Revaluation surplus of HK\$14,340,000 up to the date of change in use has been credited to revaluation surplus reserve.

9. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	Unaudited As at 30 June 2008 <i>HK\$'000</i>	Audited As at 31 December 2007 <i>HK\$'000</i>
0—30 days	5,863	38,842
31—60 days	128	35,898
Over 60 days	24,310	-
	30,301	74,740

10. Accounts payable

Ageing analysis of accounts payable is as follows:

	Unaudited As at 30 June 2008 <i>HK\$'000</i>	Audited As at 31 December 2007 <i>HK\$'000</i>
0—30 days	1,092	2,842
31—60 days	-	3,401
Over 60 days	7,928	5,743
	9,020	11,986

11. Share capital

	Unaudited Authorised ordinary shares	
	Number of shares	HK\$'000
As at 1 January 2007 (<i>ordinary shares of HK\$0.01 each</i>)	4,000,000,000	40,000
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each (<i>Note (i)</i>)	<u>12,000,000,000</u>	<u>-</u>
As at 1 January 2008 and 30 June 2008 (<i>ordinary shares of HK\$0.0025 each</i>)	<u>16,000,000,000</u>	<u>40,000</u>

	Unaudited Issued and fully paid ordinary shares	
	Number of shares	HK\$'000
As at 1 January 2007 (<i>ordinary shares of HK\$0.01 each</i>)	1,772,582,000	17,726
New issue of shares (<i>ordinary shares of HK\$0.01 each</i>) (<i>Note (ii)</i>)	93,400,000	934
Subdivision of one share of HK\$0.01 each into four shares of HK\$0.0025 each (<i>Note (i)</i>)	5,597,946,000	-
New issue of consideration shares (<i>ordinary shares of HK\$0.0025 each</i>) (<i>Note (iii)</i>)	67,200,000	168
Share options exercised (<i>ordinary shares of HK\$0.0025 each</i>) (<i>Note (iv)</i>)	135,320,000	338
Repurchase of shares (<i>ordinary shares of HK\$0.0025 each</i>) (<i>Note (v)</i>)	<u>(9,688,000)</u>	<u>(24)</u>
As at 31 December 2007 (<i>ordinary shares of HK\$0.0025 each</i>)	7,656,760,000	19,142
Repurchase of shares (<i>ordinary shares of HK\$0.0025 each</i>) (<i>Note (vi)</i>)	<u>(254,596,000)</u>	<u>(637)</u>
As at 30 June 2008 (<i>ordinary shares of HK\$0.0025 each</i>)	<u>7,402,164,000</u>	<u>18,505</u>

11. Share capital (*Cont'd*)

Notes:

- (i) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 6 August 2007, every share of HK\$0.01 each in the issued and unissued share capital of the Company was subdivided into 4 shares of HK\$0.0025 each (the "Share Subdivision"). The Share Subdivision became effective on 7 August 2007.
- (ii) Pursuant to the subscription agreement dated 1 May 2007, the Company issued and allotted a total of 93,400,000 new shares of HK\$0.01 each at HK\$2.70 per share (before Share Subdivision) to International Game Technology on 31 May 2007.
- (iii) Pursuant to the two conditional sale and purchase agreements dated 10 September 2007, the Company allotted and issued a total of 50,400,000 new consideration shares of HK\$0.0025 each at closing market price of HK\$1.13 to Citibest Investments Limited on 30 October 2007 and 16,800,000 new consideration shares of HK\$0.0025 each at closing market price of HK\$0.89 to certain vendors on 27 December 2007 as payment of part of the consideration for the subscription of interests in Champ Mark Investments Limited and Lottnal Holdings Limited respectively.
- (iv) Share options were exercised by optionholders during the year ended 31 December 2007 to subscribe for a total of 135,320,000 shares of HK\$0.0025 each by payment of subscription monies of approximately HK\$64,124,000, of which approximately HK\$338,000 was credited to share capital and the balance of approximately HK\$63,786,000 was credited to the share premium account.
- (v) The Company repurchased 9,688,000 of its own shares of HK\$0.0025 each on the Stock Exchange in December 2007. The highest and lowest price paid per share were HK\$0.90 and HK\$0.85 respectively. The total amount paid for the repurchase of shares was approximately HK\$8,510,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.
- (vi) The Company repurchased 254,596,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the six months ended 30 June 2008. The highest and lowest price paid per share were HK\$0.96 and HK\$0.35 respectively. The total amount paid for the repurchase of shares was approximately HK\$127,696,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.

12. Reserves

Unaudited six months ended 30 June 2008

	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 surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2008	1,674,115	20,080	15,158	17,808	25,934	-	1,753,095
Currency translation differences of overseas subsidiaries/ jointly- controlled entities	-	-	-	13,106	-	-	13,106
Transfer from land and building to investment property	-	-	-	-	-	14,340	14,340
Repurchase of shares Share option scheme:	(127,949)	-	-	-	-	-	(127,949)
- value of employee services	-	-	-	-	10,751	-	10,751
- value of other participants' services	-	-	-	-	2,641	-	2,641
Balance as at 30 June 2008	<u>1,546,166</u>	<u>20,080</u>	<u>15,158</u>	<u>30,914</u>	<u>39,326</u>	<u>14,340</u>	<u>1,665,984</u>

Unaudited six months ended 30 June 2007

	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>	Total <i>HK\$'000</i>
Balance as at 1 January 2007	1,346,562	-	15,158	3,038	49,588	1,414,346
Currency translation differences of overseas subsidiaries	-	-	-	6,878	-	6,878
Reduction of share premium	(87,346)	-	-	-	-	(87,346)
Share option scheme:						
- value of employee services	-	-	-	-	9,887	9,887
- value of other participants' services	-	-	-	-	945	945
- issue of shares under share option scheme	4,909	-	-	-	(1,991)	2,918
- vested share options cancelled	-	-	-	-	(365)	(365)
Issue of shares under subscription agreement	251,246	-	-	-	-	251,246
Share issue expenses	(6,354)	-	-	-	-	(6,354)
Convertible note - equity component	-	24,842	-	-	-	24,842
Deferred tax on convertible note	-	(4,762)	-	-	-	(4,762)
Balance as at 30 June 2007	<u>1,509,017</u>	<u>20,080</u>	<u>15,158</u>	<u>9,916</u>	<u>58,064</u>	<u>1,612,235</u>

13. Operating lease commitments

As at 30 June 2008, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of rented premises as follows:

	Unaudited As at 30 June 2008 HK\$'000	Audited As at 31 December 2007 HK\$'000
Not later than one year	601	1,924
Later than one year and not later than five years	9,874	302
	10,475	2,226

14. Related party transactions

Nature of transactions	Unaudited Six months ended 30 June 2008 HK\$'000	2007 HK\$'000
Rental income from a subsidiary of a substantial shareholder of the Company	480	-
Income from provision of consultancy services to an associate	-	33

15. Acquisition of a subsidiary

On 10 March 2008, the Group acquired 100% control over 北京網人互聯科技有限公司 for a total cash consideration of RMB13,500,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB13,327,000. The acquiree's carrying amount and fair value of unaudited assets and liabilities acquired in the transaction are property, plant and equipment of RMB67,000, cash and bank balances of RMB107,000, prepayments, deposits and other receivables of RMB324,000, accruals and other payables of RMB280,000 and income tax payable of RMB45,000.

16. Events after the balance sheet date

Subsequent to the balance sheet date, the Group entered into a conditional sale and purchase agreement to acquire 80% issued share capital of Three Ring International Technology Co., Limited, a gaming system provider, for a total cash consideration of HK\$55,000,000. The transaction is expected to be completed in the third quarter of 2008.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review, Business Review and Outlook

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

In the first half of 2008, the Group recorded a turnover of approximately HK\$74.09 million (the first half of 2007: HK\$102.72 million) and net loss attributable to equity holders of the Company was approximately HK\$22.94 million (the first half of 2007: profit of HK\$11 million). Excluding share option expenses and amortisation of intangibles, loss attributable to equity holders amounted to approximately HK\$7.92 million (the first half of 2007: profit of HK\$23.46 million).

The Company repurchased approximately 254.6 million of its shares which accounted for approximately 3.3% of the issued shares as at the beginning of the year from the public market in the first half of the year at the average price of HK\$0.502 per share or approximately HK\$127.7 million in total. At the end of the second quarter of 2008, the Group had over HK\$800 million in cash. The Group believes it has sufficient financial resources to support current business operations and exploration of new business opportunities.

VLT (Video Lottery Terminals) Business

The Group is the exclusive provider of terminal equipment for China Lottery Online (“CLO”) (「中福在線」) video lottery which is approved by the Ministry of Finance and distributed nationally by the China Welfare Lottery Issuance and Management Centre. In February this year, following the principle of “Safe Operation and Healthy Development”, CLO made major adjustments to game offerings, operating hours, payout ratio, etc. Following implementation of these measures, video lottery sales shrunk significantly compared with the same period last year. Correspondingly, the Group’s VLT terminal equipment business was adversely affected.

During the period under review, a major earthquake struck Wenchuan County, Sichuan Province on 12 May 2008, resulting in heavy casualties and serious infrastructure and property damage. With State Council permission, the Ministry of Civil Affairs decided to issue disaster relief lotteries, consisting instant lotteries and CLO online lotteries, for the period from 1 July 2008 to 31 December 2010 on a nationwide basis. The management of the Group believes that the initiative of disaster relief lotteries will result in the revival and continuous healthy development of the Group’s VLT terminal equipment supply business.

KENO High Frequency Lottery Business

The Group’s KENO business, which is operated by CLS-GTECH Company Limited, a joint venture company, made new progress. Terminal equipment rollout at public venues in eight provinces including Shandong and Liaoning is expected to take place in the second half of the year, which will bring new opportunities as well as challenges for the Group. The management believes that KENO business will generate long-term steady revenue.

Traditional Computer Lottery Business

The Group's traditional computer lottery tickets business covers the provision of lottery systems and equipment to provincial welfare lottery issuing authorities in China and research and development and manufacture of lottery ticket scanners and readers. Compared with the same period last year, its revenue continued to grow, which brought in stable cash flow for the Group. The Group's new businesses, such as the provision of KENO technology support to its customers in Cambodia, have begun to contribute to the Group's profit. In addition, the Group is also actively exploring overseas markets for its multi-functional lottery terminals, targeting European markets.

Outlook

The Group is optimistic about the prospects of the China lottery market. It will strive to work closely with the Government in the Disaster Relief Special Lottery project and will ensure its CLO video lottery terminal equipment supply business deliver good performance. It will also actively prepare for the KENO rollout at public venues in eight provinces including Shandong and Liaoning, while continuing to make efforts to expand its traditional computer lottery business.

The Group believes its partnership with International Game Technology and GTECH will benefit the China lottery industry in the aspects of improving the standards of research and development of lottery systems and terminal manufacturing and operation. It will also improve and enrich lottery products varieties and contents and allow the China lottery market to be operated in an enhanced safety environment and developed in a sustainable and stable manner.

The Group will continue to strengthen its management and technical teams and explore new business opportunities in lottery-related areas in China; it will also diversify the risks of reliance on any single business by seeking to penetrate the various parts of the lottery value chain. The Group will also expand, in the best interest of its shareholders, through mergers and acquisitions to enhance its business portfolio and strengthen its revenue streams and profitability in order to provide long-term and stable returns to its shareholders.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 30 June 2008, the Group had an outstanding guarantee and indemnity for HK\$20 million (as at 31 December 2007: HK\$20 million) plus interest and other charges for treasury facilities provided by a bank. Such treasury facilities were for a maximum tenor of 18 months, with facility limits to be determined by the bank at its sole discretion and may vary from time to time by the bank.

The Group expects that the available financial resources will sufficiently fund its capital and operating requirements. The Group did not have any bank borrowings as at 30 June 2008 (as at 31 December 2007: Nil).

The Group's total equity amounted to approximately HK\$1,980.1 million as at 30 June 2008 (as at 31 December 2007: HK\$2,100.6 million). As at 30 June 2008, net current asset of the Group amounted to approximately HK\$958.4 million (as at 31 December 2007: HK\$1,130.1 million), including approximately HK\$803.7 million in cash and deposits with banks and financial institution (as at 31 December 2007: HK\$1,010.6 million).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 30 June 2008 was approximately 27.2% (as at 31 December 2007: 26.5%).

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 2008, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (as at 31 December 2007: Nil).

Contingent Liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities (as at 31 December 2007: Nil).

Staff

As at 30 June 2008, the Group employed 181 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.

CHANGES OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF AUDIT COMMITTEE

With effect from 18 June 2008, (i) Mr. CUI Shuming was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company and (ii) Mr. LI Xiaojun resigned as an Independent Non-Executive Director and a member of the Audit Committee of the Company.

The Audit Committee of the Company comprised Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming since 18 June 2008.

RE-DESIGNATIONS OF DIRECTORS

With effect from 18 June 2008, (i) Ms. LAU Ting was re-designated from the Deputy Chairman, an Executive Director, President and a member of the Remuneration Committee of the Company to the Chairman, an Executive Director, the President and a member of the Remuneration Committee of the Company; and (ii) Mr. CHAN Shing was re-designated from the Chairman and an Executive Director of the Company to an Executive Director of the Company.

SHARE OPTION SCHEME

As at 30 June 2008, there were options for 308,600,000 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 2008:

(i) Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage interest in the Company's issued share capital
			from	until	held as at 1/1/2008	cancelled during the period	held as at 30/6/2008	
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%
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%
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%
	30/06/2006	0.285	16/08/2009	29/06/2016	17,600,000	-	17,600,000	0.238%
	30/06/2006	0.285	16/08/2010	29/06/2016	17,600,000	-	17,600,000	0.238%
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	3,200,000	-	3,200,000	0.043%
	04/07/2007	0.975	01/01/2013	31/12/2013	3,200,000	-	3,200,000	0.043%
	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%
	13/11/2007	0.960	01/01/2011	31/12/2011	8,000,000	-	8,000,000	0.108%
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	3,200,000	-	3,200,000	0.043%
	18/09/2007	0.904	18/09/2010	17/09/2011	5,600,000	-	5,600,000	0.076%
	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%
	13/11/2007	0.960	18/09/2011	17/09/2012	8,000,000	-	8,000,000	0.108%
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%
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%
LI Xiaojun (Note 1)	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%

	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options			Approximate percentage interest in the Company's issued share capital
			from	until	held as at 1/1/2008	cancelled during the period	held as at 30/6/2008	
(ii) Continuous contract employees	15/12/2005	0.675	15/12/2006	14/12/2008	4,000,000	-	4,000,000	0.054%
	08/06/2006	0.305	08/06/2007	07/06/2011	10,600,000	-	10,600,000	0.143%
	08/06/2006	0.305	08/06/2008	07/06/2011	14,600,000	(1,600,000)	13,000,000	0.176%
	08/06/2006	0.305	08/06/2009	07/06/2011	14,600,000	(1,600,000)	13,000,000	0.176%
	08/06/2006	0.305	08/06/2010	07/06/2011	14,600,000	(1,600,000)	13,000,000	0.176%
	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	04/07/2008	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2009	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2010	03/07/2012	400,000	-	400,000	0.005%
	04/07/2007	0.975	04/07/2011	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%
	02/10/2007	0.920	01/01/2010	31/12/2011	1,500,000	-	1,500,000	0.020%
	02/10/2007	0.920	01/01/2011	31/12/2011	1,500,000	-	1,500,000	0.020%
	02/10/2007	0.920	02/10/2008	01/10/2012	600,000	-	600,000	0.008%
	02/10/2007	0.920	02/10/2009	01/10/2012	600,000	-	600,000	0.008%
	02/10/2007	0.920	02/10/2010	01/10/2012	600,000	-	600,000	0.008%
	02/10/2007	0.920	02/10/2011	01/10/2012	600,000	-	600,000	0.008%
	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%
	13/11/2007	0.960	01/01/2010	31/12/2011	1,000,000	-	1,000,000	0.014%
	13/11/2007	0.960	01/01/2011	31/12/2011	1,000,000	-	1,000,000	0.014%
(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%
	13/11/2007	0.960	01/01/2008	31/12/2011	10,000,000	-	10,000,000	0.135%
	13/11/2007	0.960	01/01/2009	31/12/2011	10,000,000	-	10,000,000	0.135%
	13/11/2007	0.960	01/01/2010	31/12/2011	10,000,000	-	10,000,000	0.135%
	13/11/2007	0.960	01/01/2011	31/12/2011	10,000,000	-	10,000,000	0.135%
Total:					313,400,000	(4,800,000)	308,600,000	

Notes:

- Mr. LI Xiaojun resigned as an Independent Non-Executive Director of the Company on 18 June 2008 and his option for 2,400,000 shares is still valid and effectual until 18 September 2008 pursuant to the terms of the Option Scheme.
- Except for the option of 4,800,000 in shares was cancelled, no options had been granted, exercised nor lapsed during the six months period.

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

As at 30 June 2008, 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 and 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

(1) Interests in Shares of the Company

Name of Director	Number of shares of HK\$0.0025 each					Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other Interests	Total	
LAU Ting	213,155,212(L)	341,407,092(L) (Note 1)	1,629,617,232(L) (Notes 2 & 3)	36,863,192(S)	2,184,179,536(L) 36,863,192(S) (Note 3)	29.51%(L) 0.50%(S)
CHAN Shing	341,407,092(L)	213,155,212(L) (Note 4)	1,629,617,232(L) (Notes 2 & 3)	36,863,192(S)	2,184,179,536(L) 36,863,192(S) (Note 3)	29.51%(L) 0.50%(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.
- 45,280,768 shares were held by Hang Sing Overseas Limited ("Hang Sing") which is owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 42,380,168 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 1,541,956,296 shares were held by Burwill Holdings Limited ("Burwill"), which is owned as to 20.37% by Hang Sing, as to 19.06% by Strong Purpose, as to 3.42% by Mr. CHAN Shing and as to 3.34% by Ms. LAU Ting.
- As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are 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 and the letter "S" denotes short position.

(2) Interests in Underlying Shares of the Company

Name of Director	Number of underlying shares held in capacity of personal interests	Approximate percentage interest in the Company's issued share capital
LAU Ting	2,400,000(L)	0.032%(L)
CHAN Shing	2,400,000(L)	0.032%(L)
HOONG Cheong Thard	70,400,000(L)	0.951%(L)
WU Jingwei	51,200,000(L)	0.692%(L)
LIAO Yuang-whang	44,000,000(L)	0.594%(L)
HUANG Shenglan	2,400,000(L)	0.032%(L)
CHAN Ming Fai	1,800,000(L)	0.024%(L)

Notes:

1. Details of the share options are set out in the section headed "Share Option Scheme" of this report.
2. The letter "L" denotes long position.

Save as otherwise disclosed above, as at 30 June 2008, 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 2008, 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 short positions in the shares and underlying shares of the Company:

(1) Interests in Shares

Name of Shareholder	Number of shares of HK\$0.0025 each				Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Investment Manager	Corporate interests	Total	
Burwill	1,535,324,296(L)	-	6,632,000(L)	1,541,956,296(L) (Note 1)	20.83%(L)
Burbank John H.	-	-	974,220,800(L)	974,220,800(L) (Note 2)	13.16%(L)
Passport Capital, LLC	-	974,220,800(L)	-	974,220,800(L) (Note 2)	13.16%(L)
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A - global strategy	800,000,000(L)	-	-	800,000,000(L) (Note 2)	10.81%(L)
Atlantis Investment Management Limited	-	923,500,000(L)	-	923,500,000(L) (Note 3)	12.48%(L)
Ward Ferry Management (BVI) Limited	-	686,334,000(L)	-	686,334,000(L) (Note 4)	9.27%(L)
Legg Mason Inc	-	587,696,000(L)	-	587,696,000(L) (Note 5)	7.94%(L)
Lloyds TSB Group Plc	-	536,716,800(L)	-	536,716,800(L) (Note 6)	7.25%(L)
JPMorgan Chase & Co.	-	-	454,636,000(L) 454,636,000(P)	454,636,000(L) 454,636,000(P) (Note 7)	6.14%(L) 6.14%(P)
International Game Technology	373,600,000(L)	-	-	373,600,000(L)	5.05%(L)

Notes:

- 1,535,324,296 shares were held by Burwill and 6,632,000 shares were held by Hillot Limited, a company indirect wholly-owned by Burwill. These shares formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting.
- 800,000,000 shares were held by Passport Global Master Fund SPC Ltd for and on behalf of portfolio A - global strategy whose investment manager is Passport Management, LLC. 174,220,800 shares were held by Passport Management, LLC as investment manager. 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 is notified by Passport Capital, LLC.
- These shares were held by Atlantis Investment Management Limited as investment manager.

4. 324,904,000 shares were held by WF Asia Fund Limited, 15,580,000 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 is the investment manager of these funds or companies.
5. These shares were held by Legg Mason International Equities (Singapore) Pte Limited as investment manager, a company which is wholly-owned by LM International Holding LP ("LM International"). LM International is wholly-owned by Legg Mason International Holdings II, LLC, a company which is wholly-owned by Legg Mason Inc.
6. These shares were held by Scottish Widows Plc (a company which is wholly-owned by Lloyds TSB Group Plc) as investment manager.
7. These shares were held by JPMorgan Chase Bank, N.A. (a company which is wholly-owned by JPMorgan Chase & Co.) as custodian.
8. The letter "L" denotes long position and the letter "P" denotes lending pool.

(2) Interests in Underlying Shares

As at 30 June 2008, 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 2008, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and 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 other members of the Group.

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

During the six months ended 30 June 2008, the Company repurchased a total of 254,596,000 shares of HK\$0.0025 each in the share capital of the Company on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meeting held on 24 April 2007, details of which were as follows:—

Month/Year	Number of Shares Repurchased	Price per Share		Total Consideration (before expenses) HK\$
		Lowest	Highest	
		HK\$	HK\$	
1/2008	53,040,000	0.495	0.960	39,466,200
3/2008	191,544,000	0.350	0.500	84,204,620
4/2008	10,012,000	0.380	0.425	4,024,760

All shares repurchased were cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

COMPETING INTERESTS

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee which currently comprises three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which currently comprises two Independent Non-Executive Directors and an Executive Director of the Company. Since 29 February 2008, the members of the Remuneration Committee of the Company are Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Ms. LAU Ting. The Remuneration Committee is responsible for considering and reviewing the terms of service contracts of the Directors and the senior management of the Company.

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 2008, except for the deviations from the Code provisions A2.1, A4.1 and A4.2.

The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman and the President of the Company, Ms. LAU Ting, currently assumes the role of the chairman and also the chief executive officer. Given the nature of the Group’s businesses which require considerable market expertise, the Board believed that 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.

The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company (the “Bye-laws”). The Directors have not been required by the Bye-laws to retire by rotation at least once every three years. However, in accordance with Bye-law 99 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with the Code provisions. The Chairman will not be subject to retirement by rotation as the Board considered that the continuity of office of the Chairman 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 consider 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 required standard of dealings set out in the Code of Conduct.

On behalf of the Board
LAU Ting
Chairman

Hong Kong, 11 August 2008

As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Chan Shing, Mr. Hoong Cheong Thard, Mr. Wu Jingwei and Mr. Liao Yuang-whang as Executive Directors, Mr. Paulus Johannes Cornelis Aloysius Karskens and Mr. Wang Taoguang as Non-Executive Directors, and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Cui Shuming as Independent Non-Executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting.