



China LotSynergy Holdings Limited

華彩控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8161)**

## **ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2006**

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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.*

## RESULTS (UNAUDITED)

The Directors of China LotSynergy Holdings Limited (the “Company”) hereby present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2006, together with the comparative unaudited figures for the corresponding period in 2005, as follows:–

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2006</b>	<b>2005</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>3,599</b>	2,928
Cost of merchandise sold		<b>(3,545)</b>	(3,199)
Staff costs	3	<b>(8,130)</b>	(1,488)
Amortisation of intangible assets		<b>(29)</b>	(28)
Depreciation of property, plant and equipment		<b>(70)</b>	(54)
Advertising and promotion expenses		<b>(13)</b>	–
Provision for impairment of receivables		<b>–</b>	(6,252)
General and administrative expenses		<b>(3,232)</b>	(385)
Loss from operations		<b>(11,420)</b>	(8,478)
Other revenues	2	<b>6,123</b>	1
Loss before income tax		<b>(5,297)</b>	(8,477)
Income tax	4	<b>–</b>	–
Loss for the period		<b><u>(5,297)</u></b>	<b><u>(8,477)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(5,278)</b>	(7,938)
Minority interests		<b>(19)</b>	(539)
		<b><u>(5,297)</u></b>	<b><u>(8,477)</u></b>
<b>Loss per share for loss attributable to the equity holders of the Company during the period</b>			
Loss per share – Basic and diluted	5	<b><u>(0.34)HK cent</u></b>	<b><u>(0.79)HK cent</u></b>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong 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 results are consistent with those used in the preparation of the Group’s audited financial statements for the nine-month period ended 31 December 2005.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on these results.

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option

The Group has not early adopted the following standards that have been issued but not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

## 2. Turnover and revenues

Revenues recognised during the periods are as follows:

	Unaudited Three months ended 31 March	
	2006 HK\$’000	2005 HK\$’000
Turnover		
Sales of merchandise	3,599	2,924
Advertising income	–	4
	<hr/>	<hr/>
	3,599	2,928
Other revenues		
Interest income from bank deposits	6,123	1
	<hr/>	<hr/>
Total revenues	<u>9,722</u>	<u>2,929</u>

### 3. Staff Costs

	Unaudited Three months ended 31 March	
	2006 HK\$'000	2005 HK\$'000
Staff costs (including directors' remuneration)		
– salaries, bonuses, allowances and benefits in kind	4,859	1,488
– expenses in relation to the grant of share options	3,271	–
	<u>8,130</u>	<u>1,488</u>

### 4. Income Tax

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and accordingly is exempted from income tax in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the payment of British Virgin Islands income taxes. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in or derived from Hong Kong for both the current and prior periods. No provision for the profits tax of subsidiaries operating outside Hong Kong has been made as the subsidiaries did not generate any assessable profits in the respective jurisdictions for both the current and prior periods.

### 5. Loss per share

Basic loss per share for the three months ended 31 March 2006 is calculated by dividing the unaudited consolidated loss attributable to equity holders of the Company of approximately HK\$5,278,000 (2005: HK\$7,938,000) by the weighted average number of 1,558,080,000 ordinary shares in issue (2005: 1,000,000,000 shares) during the period. The computation of diluted loss per share has not assumed the exercise of options outstanding during the period because their exercise would reduce loss per share.

### 6. Share capital

	Unaudited Authorised ordinary shares of HK\$0.01 each	
	Number of shares	HK\$'000
As at 1 January and 31 March 2005	2,000,000,000	20,000
Increase of authorised share capital ( <i>Note (i)</i> )	2,000,000,000	20,000
	<u>4,000,000,000</u>	<u>40,000</u>

**Unaudited**  
**Issued and fully paid**  
**ordinary shares of HK\$0.01 each**  
**Number of shares**                      **HK\$'000**

As at 1 January and 31 March 2005	<u>1,000,000,000</u>	<u>10,000</u>
As at 1 January 2006	1,430,000,000	14,300
New issue of shares under share option scheme ( <i>Note(ii)</i> )	120,000	1
New issue of shares under subscription agreements ( <i>Note (iii)</i> )	180,000,000	1,800
Repurchase of shares ( <i>Note (iv)</i> )	<u>(8,168,000)</u>	<u>(82)</u>
As at 31 March 2006	<u>1,601,952,000</u>	<u>16,019</u>

*Notes:*

- (i) By an ordinary resolution passed at the special general meeting of the Company held on 21 March 2006, the Company's authorised ordinary share capital was increased to HK\$40,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.01 each.
- (ii) Share options were exercised by optionholders in January 2006 to subscribe for a total of 120,000 ordinary shares in the Company by payment of subscription monies of approximately HK\$235,000, of which HK\$1,000 was credited to share capital and the balance of HK\$234,000 was credited to the share premium account.
- (iii) Pursuant to the subscription agreements dated 17 January 2006, the Company issued and allotted a total of 180,000,000 new shares (the "Subscription Share(s)") of the Company at a subscription price of HK\$3.675 per Subscription Share to the subscribers on 27 January 2006 (the "Subscription") following the completion of the placing agreements for the placing of 180,000,000 existing shares (the "Placing"). The Company raised a net proceeds of approximately HK\$631.9 million through the Placing and the Subscription and the fund is partly used to settle the cash element of the consideration of HK\$470 million for the subscription of interest in Corich International Limited and as the Group's general working capital.
- (iv) The Company purchased 8,168,000 of its own shares on the Stock Exchange in February 2006. The highest price and lowest price paid per share were HK\$2.95 and HK\$2.475 respectively. The total consideration and expenses for the repurchase of shares was approximately HK\$23,610,000 and has been deducted from the shareholders' equity. The shares repurchased were cancelled subsequently.

## 7. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Cumulative translation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2005	19,865	15,158	(281)	–	(7,882)	26,860
Loss for the period	–	–	–	–	(8,477)	(8,477)
Currency translation differences	–	–	282	–	–	282
As at 31 March 2005	<u>19,865</u>	<u>15,158</u>	<u>1</u>	<u>–</u>	<u>(16,359)</u>	<u>18,665</u>
As at 1 January 2006	291,319	15,158	1	26,279	(58,505)	274,252
Loss for the period	–	–	–	–	(5,278)	(5,278)
Repurchase of shares	(23,528)	–	–	–	–	(23,528)
Share option scheme						
– value of employee services	–	–	–	3,271	–	3,271
– value of other participants' services	–	–	–	457	–	457
Issue of shares under share option scheme	401	–	–	(167)	–	234
Issue of shares under subscription agreements	630,116	–	–	–	–	630,116
As at 31 March 2006	<u>898,308</u>	<u>15,158</u>	<u>1</u>	<u>29,840</u>	<u>(63,783)</u>	<u>879,524</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in investment, project development and the provision of technologies and equipments and consultancy services in public welfare lottery business and related sectors.

### Review

During the period under review, the management of the Group made aggressive efforts in the development of lottery-related business and achieved substantial progress.

On 8 January 2006, in accordance with the Technical Cooperation Agreement entered into with Beijing Lottery Online Technology Co., Ltd. (“CLO”), Tabcorp International Hong Kong Limited, the joint venture company of the Group and Tabcorp Holdings Limited in Australia, carried out the trial run of KENO game on the nationwide lottery system with satisfactory results. CLO is controlled by China Welfare Lottery Issuance and Administration Centre of the PRC and is licensed to operate and run the nationwide instant lottery sales system (including video lottery terminals (“VLT”) and KENO) in the PRC. Currently, the operation of KENO lottery system covers 23 provinces throughout the nation.

On 9 January 2006, the Group and Corich International Limited (“Corich”) entered into a subscription agreement, pursuant to which the Group would subscribe for 1,000,000 ordinary shares of Corich (“Corich Shares”) for a consideration of HK\$980 million to be satisfied by way of cash and issue of shares. The resolution for the subscription was unanimously passed in the special general meeting of the Company held on 21 March 2006.

On 4 April 2006, completion of the subscription for 1,000,000 Corich Shares took place. Prior to the subscription, Corich had in issue 1,000,000 Corich Shares and 1,000,000 preferred shares (“Corich Preference Shares”). The Corich Preference Shares are redeemable and held by the Warrantors. After performing the due diligence on Corich Group, the management of the Group is satisfied with the performance of the Corich Group, and is confident in the future development of the business of Corich Group. The Group exercised the subscriber’s redemption right on 28 April 2006 to request Corich to redeem all of the Corich Preference Shares in issue held by the Warrantors. The Group currently holds 50% interest in Corich Group and is represented by a majority in the board of directors of Corich. The Group’s interest in Corich will be consolidated into the financial statements of the Group as a subsidiary.

Dongguan Tianyi Electronics Company Limited (“Tianyi Electronics”), a wholly-owned subsidiary of Corich, is principally engaged in the manufacturing, and is a provider, of VLT. In 2005, Tianyi Electronics and CLO entered into an agreement, pursuant to which Tianyi Electronics would exclusively provide VLTs for Lottery Online (中福在線) instant lottery for a term of ten years.

To satisfy the consideration for the subscription and to provide working capital for its future operations, the Group raised a net proceeds of approximately HK\$631.9 million from a placing of shares of the Company at the price of HK\$3.675 per share in January 2006.

## **Outlook**

The Group is confident in the prospect of the PRC’s lottery industry, especially that of the video lottery business.

Video lottery games enjoys growing prevalence and a bright prospect in the development of the global lottery sector. Despite its late start, the video lottery games in the PRC exhibited robust growth potential. The issuance and sales of instant lottery products are restricted to the Lottery Online Halls (「中福在線」即開型彩票銷售廳), which are directly invested, set up and operated by the provincial and municipal lottery welfare centres (福利彩票中心). As at end of March, there were over 280 approved Lottery Online Halls and more than 6,000 VLTs, which are exclusively manufactured and provided by the Corich Group, throughout the PRC. Given the political backdrop where the PRC government severely combats illegal lottery, underground casino and online betting on the one hand, and aggressively promotes welfare lottery on the other, the prospects of the video lottery business are encouraging.

The acquisition of the Corich Group further expanded and reinforced the Group’s core business in participating in the PRC’s welfare lottery market. At the same time, the Group actively sought after suitable business partners or targets for mergers or acquisitions in appropriate business sectors. In January 2006, China LotSynergy Group Limited, a wholly-owned subsidiary of the Group, entered into a heads of agreement with Octavian International Limited (“Octavian”), an international provider of networked gaming systems and software solutions headquartered in the United Kingdom, in respect of the possible acquisition of equity interests in Octavian. The acquisition contemplated under this heads of agreement is in progress.

The Group is fully confident in its competitive advantage and future prospect. As always, it is dedicated to endeavouring for the sustained and steady growth of return to its shareholders.

## **PLACING OF SHARES**

Pursuant to the subscription agreements dated 17 January 2006, the Company issued and allotted a total of 180,000,000 new shares of the Company at a subscription price of HK\$3.675 per subscription share to the subscribers on 27 January 2006, following the completion of the placing agreements for the placing of 180,000,000 existing shares to more than six placees at a placing price of HK\$3.675 per placing share. The closing price per share on 16 January 2006 (being the last trading day prior to the entering into of the placing agreements) as quoted on the Stock Exchange was HK\$3.80 and the net price of the issue to the Company was HK\$3.51 per share. The Company raised a net proceeds of approximately HK\$631.9 million through the placing and the subscription and the fund is used: (i) as to approximately HK\$470 million to pay the cash consideration under the subscription agreement amongst the Company, Corich International Limited and others dated 9 January 2006; and (ii) for the Company's general working capital.

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 29 September 2005.

## **ISSUE OF SHARES**

- (1) The Company issued a total of 120,000 new shares of the Company upon the exercise of share options by the optionholders in January 2006.
- (2) Pursuant to the subscription agreement dated 9 January 2006 entered into between China LotSynergy Group Limited ("CLG"), a wholly-owned subsidiary of the Company, Corich International Limited ("Corich"), the Company and others, the Company issued and allotted a total of 200,000,000 new shares of the Company on 28 April 2006 as part of the consideration for the subscription of interest in Corich, following the exercise by CLG of its subscriber's redemption right on 28 April 2006 to request Corich to redeem all (but not part) of the Corich preference shares in issue. The above consideration shares were issued pursuant to the specific mandate given to the Directors of the Company by resolution of the shareholders passed at the special general meeting of the Company held on 21 March 2006.

## **RETIREMENT OF DIRECTOR**

Mr. KING Roger, due to his other personal commitments, had not offered himself for re-election of director at the 2006 annual general meeting of the Company held on 24 April 2006 and therefore had retired from his office as an Independent Non-Executive Director of the Company and, ipso facto, a member of the Audit Committee of the Company, with effect from 24 April 2006 at the conclusion of 2006 annual general meeting of the Company.



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

As at 31 March 2006, 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 dealing 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

#### (A) The Company

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
LAU Ting	51,288,803	72,951,773 (Note 1)	405,746,308 (Note 2)	529,986,884 (Note 3)	33.08%
SUN Ho	2,800,000	30,000	–	2,830,000	0.18%
CHEN Aizheng	2,310,000	156,000	–	2,466,000	0.15%
NG Man Fai, Matthew	660,000	–	–	660,000	0.04%

#### Notes:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 11,320,192 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 Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 383,831,074 shares were held by Burwill Holdings Limited ("Burwill"), which is owned as to 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
- 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.

(B) Associated Corporation – Burwill Holdings Limited

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests		
LAU Ting	21,776,072	13,035,472 (Note 1)	438,304,701 (Note 2)	473,116,245 (Note 3)	45.84%
SUN Ho	200,000	–	–	200,000	0.02%

Notes:

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 226,403,853 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 211,900,848 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing.
3. 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.

(2) Interests in Underlying Shares of the Company

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period		No. of ordinary shares under the options held as at 31/3/2006	Approximate percentage interest in the Company's issued share capital
			from	until		
LAU Ting	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.03%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.03%
SUN Ho	01/09/2005	1.96	31/10/2005	30/10/2007	6,900,000	0.43%
	01/09/2005	1.96	31/10/2006	30/10/2007	6,900,000	0.43%
CHEN Aizheng	01/09/2005	1.96	31/10/2005	30/10/2007	4,500,000	0.28%
	01/09/2005	1.96	31/10/2006	30/10/2007	4,500,000	0.28%
HUANG Shenglan	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.03%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.03%
KING Roger (Note)	01/09/2005	1.96	31/10/2005	30/10/2007	250,000	0.02%
	01/09/2005	1.96	31/10/2006	30/10/2007	250,000	0.02%
LI Xiaojun	01/09/2005	1.96	31/10/2005	30/10/2007	250,000	0.02%
	01/09/2005	1.96	31/10/2006	30/10/2007	250,000	0.02%

Note: Mr. KING Roger retired from his office as an Independent Non-Executive Director of the Company, effective 24 April 2006.

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2006, 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 ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
CHAN Shing	72,951,773	51,288,803 <i>(Note 1)</i>	405,746,308 <i>(Note 2)</i>	529,986,884 <i>(Note 3)</i>	33.08%
Burwill	–	–	383,831,074	383,831,074 <i>(Notes 2&amp;4)</i>	23.96%
Legg Mason Inc <i>(Note 5)</i>	–	–	137,010,000	137,010,000	8.55%
YU Man Yiu, Park	47,388,500	–	70,000,860 <i>(Note 6)</i>	117,389,360	7.33%
Fidelity International Limited	–	–	102,276,000	102,276,000	6.38%
Lloyds TSB Group Plc <i>(Note 7)</i>	–	–	80,444,000	80,444,000	5.02%

*Notes:*

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing and a Director of the Company.
2. 11,320,192 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 383,831,074 shares were held by Burwill, which is owned as to 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
3. 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.
4. These shares formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting.
5. These shares were held by Legg Mason Asset Management (Asia) Pte Ltd, 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. 860 shares were held by Good Talent Trading Limited which is owned as to 35% by Mr. YU Man Yiu, Park and 70,000,000 shares were held by Centrix Investments Limited, a company which is wholly-owned by Mr. YU Man Yiu, Park.
7. These shares were held by Scottish Widows Plc, a company which is wholly-owned by Lloyds TSB Group Plc.

**(2) Interests in Underlying Shares**

Name of Substantial Shareholder	Date of grant	Exercise price per share <i>HK\$</i>	Exercise period		No. of ordinary shares under the options of the Company held as at 31/3/2006	Approximate percentage interest in the Company's issued share capital
			from	until		
CHAN Shing	01/09/2005	1.96	31/10/2005	30/10/2007	500,000	0.03%
	01/09/2005	1.96	31/10/2006	30/10/2007	500,000	0.03%

Save as disclosed above, as at 31 March 2006, 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 three months ended 31 March 2006, the Company repurchased a total of 8,168,000 shares in the Company on the Stock Exchange pursuant to the general mandate granted by the shareholders at the annual general meeting held on 29 September 2005, details of which were as follows:–

Month/Year	Number of share repurchased	Price per share		Total consideration (before expense) HK\$
		Lowest HK\$	Highest HK\$	
02/2006	8,168,000	2.475	2.950	23,510,600

All shares repurchased were cancelled 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, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2006.

## 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 the two Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan and Mr. LI Xiaojun. Following the retirement of Mr. KING Roger from the office of Independent Non-Executive Director and ipso facto, a member of the Audit Committee on 24 April 2006, the Company currently has only two Independent Non-Executive Directors and two members in the Audit Committee of the Company. 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 consolidated results for the three months ended 31 March 2006 have been reviewed by the Audit Committee.

On behalf of the Board

**LAU Ting**  
Chairman

Hong Kong, 11 May 2006

*As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as executive directors and Mr. Huang Shenglan and Mr. Li Xiaojun 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.*