



**China**  
**LotSynergy** 2009 Third Quarterly Report

China LotSynergy Holdings Limited

華彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock code: 8161



## **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 report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS (UNAUDITED)

The board of directors (the "Board" or the "Directors") of China LotSynergy Holdings Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2009, together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	<b>29,185</b>	16,750	<b>53,968</b>	90,838
Cost of sales and services	3	<b>(12,882)</b>	(14,712)	<b>(36,771)</b>	(44,272)
Gross profit		<b>16,303</b>	2,038	<b>17,197</b>	46,566
Other income and gains/(losses), net	4	<b>4,312</b>	(16,041)	<b>25,285</b>	3,968
General and administrative expenses		<b>(42,809)</b>	(29,084)	<b>(90,226)</b>	(72,848)
Finance costs	5	<b>(6,606)</b>	(6,310)	<b>(19,817)</b>	(18,928)
Share options expenses		<b>(4,377)</b>	(6,059)	<b>(10,820)</b>	(19,451)
Operating loss	6	<b>(33,177)</b>	(55,456)	<b>(78,381)</b>	(60,693)
Share of losses of jointly-controlled entities		<b>(3,675)</b>	(3,300)	<b>(8,272)</b>	(8,538)
Loss before income tax		<b>(36,852)</b>	(58,756)	<b>(86,653)</b>	(69,231)
Income tax	7	<b>(1,896)</b>	1,032	<b>(4,713)</b>	430
Loss for the period		<b>(38,748)</b>	(57,724)	<b>(91,366)</b>	(68,801)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(38,370)</b>	(54,330)	<b>(81,420)</b>	(77,272)
Minority interests		<b>(378)</b>	(3,394)	<b>(9,946)</b>	8,471
		<b>(38,748)</b>	(57,724)	<b>(91,366)</b>	(68,801)
<b>Loss per share for loss attributable to the equity holders of the Company during the period</b>					
- basic - HK Cent	8	<b>(0.52)</b>	(0.73)	<b>(1.10)</b>	(1.04)
- diluted	8	<b>N/A</b>	N/A	<b>N/A</b>	N/A

Notes:

## 1. Basis of preparation and accounting policies

The unaudited consolidated results has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of 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 "GEM Listing Rules").

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 year ended 31 December 2008.

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 2009. The adoption of such standards, amendment and interpretations did not have material effect on these results.

## 2. Turnover

The Group is principally engaged in investment, project development and the provision of technologies, equipment and consultancy services in public welfare lottery business and related sectors. An analysis of the Group's turnover for the periods is as follows:

	Unaudited Three months ended 30 September 2009		Unaudited Nine months ended 30 September 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover				
Income from provision of lottery terminals	<b>21,573</b>	13,943	<b>39,033</b>	84,419
Income from sales of equipment	<b>7,430</b>	2,807	<b>13,918</b>	5,975
Income from provision of consultancy services	<b>182</b>	–	<b>1,017</b>	444
	<b><u>29,185</u></b>	<u>16,750</u>	<b><u>53,968</u></b>	<u>90,838</u>

## 3. Cost of sales and services

	Unaudited Three months ended 30 September 2009		Unaudited Nine months ended 30 September 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Depreciation of lottery terminals	<b>6,818</b>	8,236	<b>20,427</b>	24,645
Business tax	<b>1,097</b>	392	<b>2,011</b>	3,470
Cost of inventories recognised as expense	<b>4,340</b>	1,206	<b>6,705</b>	2,500
Loss on disposal of plant and equipment	–	–	<b>3,205</b>	–
Other cost of sales and services	<b>627</b>	4,878	<b>4,423</b>	13,657
	<b><u>12,882</u></b>	<u>14,712</u>	<b><u>36,771</u></b>	<u>44,272</u>

## 4. Other income and gains/(losses), net

	Unaudited Three months ended 30 September 2009		Unaudited Nine months ended 30 September 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Financial assets at fair value through profit or loss	<b>2,536</b>	(19,420)	<b>17,803</b>	(12,356)
Dividend income on financial assets at fair value through profit or loss	<b>344</b>	–	<b>1,070</b>	–
Interest income from bank deposits	<b>1,288</b>	3,139	<b>5,140</b>	11,462
Rental income	<b>144</b>	240	<b>528</b>	720
Reversal of impairment on other receivables	–	–	<b>744</b>	4,142
	<b><u>4,312</u></b>	<u>(16,041)</u>	<b><u>25,285</u></b>	<u>3,968</u>

## 5. Finance costs

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued interest expense on convertible note	<u>6,606</u>	<u>6,310</u>	<u>19,817</u>	<u>18,928</u>

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

## 6. Operating loss

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating loss is stated after charging:				
Staff costs (excluding share options expenses)	13,990	11,823	36,865	33,183
Amortisation of intangible assets	1,632	1,632	4,896	4,896
Amortisation of leasehold land	-	467	-	467
Depreciation of other items of property, plant and equipment	<u>1,054</u>	<u>723</u>	<u>2,965</u>	<u>2,267</u>

## 7. Income tax

	Unaudited Three months ended 30 September 2009		Unaudited Nine months ended 30 September 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current income tax				
– People's Republic of China ("PRC") Enterprise Income Tax	2,146	(923)	5,524	2,122
Under/(Over) provision in prior year				
– PRC Enterprise Income Tax	–	–	75	(2,224)
Deferred income tax	(250)	(109)	(886)	(328)
	<u>1,896</u>	<u>(1,032)</u>	<u>4,713</u>	<u>(430)</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the three months and nine months ended 30 September 2009 (2008: Nil and Nil).

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

## 8. Loss per share

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

	Unaudited Three months ended 30 September 2009		Unaudited Nine months ended 30 September 2009	
	2009	2008	2009	2008
Loss for the period attributable to the equity holders of the Company (HK\$'000)	<u>(38,370)</u>	<u>(54,330)</u>	<u>(81,420)</u>	<u>(77,272)</u>

### Number of shares:

Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share	<u>7,402,164,000</u>	<u>7,402,164,000</u>	<u>7,402,164,000</u>	<u>7,459,943,139</u>
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The computation of diluted loss per share for the three months and nine months ended 30 September 2009 and 2008 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.

## 9. Share capital

	<b>Unaudited</b>	
	<b>Authorised ordinary shares</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2009 and 30 September 2009 <i>(ordinary shares of HK\$0.0025 each)</i>	<u><b>16,000,000,000</b></u>	<u><b>40,000</b></u>
	<b>Unaudited</b>	
	<b>Issued and fully paid</b>	
	<b>ordinary shares</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
As at 1 January 2008 <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) (Note)</i>	<u>(254,596,000)</u>	<u>(637)</u>
As at 1 January 2009 and 30 September 2009 <i>(ordinary shares of HK\$0.0025 each)</i>	<u><b>7,402,164,000</b></u>	<u><b>18,505</b></u>

*Note:*

The Company repurchased 254,596,000 of its own shares of HK\$0.0025 each on the Stock Exchange during the year ended 31 December 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\$128,586,000 and has been deducted from shareholders' equity. The shares repurchased were subsequently cancelled.



## 10. Reserves and accumulated losses/retained profit

	Unaudited								
	Nine months ended 30 September 2009								
	Share premium	Convertible note	Capital reserve	Currency translation reserve	Share-based compensation reserve	Revaluation reserve	Available-for-sale investments	Accumulated losses	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2009	1,546,166	20,080	15,158	31,257	36,145	11,974	(12,860)	(795,177)	852,743
Loss for the period	-	-	-	-	-	-	-	(81,420)	(81,420)
Currency translation differences of overseas subsidiaries/ jointly- controlled entities	-	-	-	264	-	-	-	-	264
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	9,728	-	9,728
Share option scheme:									
– value of employee services	-	-	-	-	10,584	-	-	-	10,584
– value of other participants' services	-	-	-	-	236	-	-	-	236
Deregistration of a subsidiary	-	-	-	(209)	-	-	-	-	(209)
Balance as at 30 September 2009	<u>1,546,166</u>	<u>20,080</u>	<u>15,158</u>	<u>31,312</u>	<u>46,965</u>	<u>11,974</u>	<u>(3,132)</u>	<u>(876,597)</u>	<u>791,926</u>

	Unaudited								
	Nine months ended 30 September 2008								
	Share premium	Convertible note	Capital reserve	Currency translation reserve	Share-based compensation reserve	Revaluation reserve	Retained profit	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 January 2008	1,674,115	20,080	15,158	17,808	25,934	-	132,823	1,885,918	
Loss for the period	-	-	-	-	-	-	(77,272)	(77,272)	
Currency translation differences of overseas subsidiaries/ jointly-controlled entities	-	-	-	13,972	-	-	-	13,972	
Transfer from land and building to investment property	-	-	-	-	-	14,340	-	14,340	
Repurchase of shares	(127,982)	-	-	-	-	-	-	(127,982)	
Share option scheme:									
– value of employee services	-	-	-	-	15,578	-	-	15,578	
– value of other participants' services	-	-	-	-	3,873	-	-	3,873	
– vested share options cancelled	-	-	-	-	(278)	-	278	-	
Balance as at 30 September 2008	<u>1,546,133</u>	<u>20,080</u>	<u>15,158</u>	<u>31,780</u>	<u>45,107</u>	<u>14,340</u>	<u>55,829</u>	<u>1,728,427</u>	

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

#### *VLT (Video Lottery Terminals) Business*

The Group is the exclusive equipment provider for video lottery of China Welfare Lottery Online (中福在線) (authorized by the Ministry of Finance of China) which is a nationwide product issued by China Welfare Lottery Centre ("CWLC"). After the enhancement measures which lasted about one year and a half, approval was obtained from the government regulatory authorities for the re-launch of the product with the introduction of four new games from July 2009. Two of these games, San Jiang Feng Guang (三江風光) and Hao Yun She Ji (好運射擊) are being sold in VLT halls with new sales permits across China, while the other two games, Qu Wei Gao Er Fu (趣味高爾夫) and Lian Huan Duo Bao (連環奪寶), are being sold in seven selected provinces namely Tianjin, Liaoning, Zhejiang, Shandong, Hubei, Guangdong and Gansu. Currently, sales are good in these venues. The product will be gradually rolled out across the nation as further approval is obtained from the relevant government authorities.

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

CLS-GTECH Company Limited (集太華彩有限公司), a joint venture company between the Group and GTECH Corporation ("GTECH"), provides a nationwide unified system and terminals for Keno, a high frequency lottery game of China welfare lottery. State approval was obtained in late 2008 for Keno to be rolled out in public venues. By mid-2009, Keno terminals have been connected and the game sold in eight provinces, including Hunan, Shandong, Liaoning, Gansu, Sichuan, Hebei, Shanxi and Jilin. With more provinces to be approved and more terminals connected, the sales of Keno will grow steadily. In August 2009, add-on gameplay on Keno received the approval from Ministry of Finance and other authorities. CWLC has already organized sales training for the relevant provinces. It is scheduled that the add-on gameplay will be offered on the existing Keno game in the eight provinces in the fourth quarter of this year, with a view to stimulating sales growth. The Group will work closely with lottery issuance authorities to meet their operation and management requirements on system and terminal equipment, as well as provide technical development support on enriching the variety of Keno games and market operation assistance on an ongoing basis. Given its success in the international lottery sector, the game is set to become a stable and long-term revenue contributor for the China lottery industry at large and for the Group.

### *Computer-generated Ticket Game (CTG) Business*

The Group is the sole supplier of CTG betting terminal equipment for Guangdong province, and is also the provider of key lottery technology products such as scanners and readers for other corporate customers. During the first three quarters of 2009, the sales of welfare lotteries (including CTG and other lottery products) in Guangdong province reached approximately RMB6 billion, up by about 31% compared to the same period of last year. Such growth rate is far higher than the national overall increase of the welfare lottery of 23% in the first three quarters, maintaining the province as the best-seller of welfare lotteries nationwide. In the second quarter, the Group successfully entered into a five-year contract with Guangdong Provincial Welfare Lottery Issuance Centre for the supply of ten thousand plus units of betting terminals with service. At present, the manufacture and integration testing of the terminal are underway with a subsidiary of the Group. The new terminal is expected to be put in the market in the fourth quarter. In addition, in the third quarter, Guangzhou San Huan Yong Xin Technology Company Limited provided new CTG equipment to Shenzhen Municipal Welfare Lottery Issuance Centre.

Furthermore, the Group is actively exploring overseas markets for the newly built multifunction lottery betting terminals, with an aim to securing new orders from Europe and Southeast Asian countries.

### *Other Business*

In September 2009, Beijing Huacai Yingtong Technology Company Limited (北京華彩贏通科技有限公司) (“Huacai Yingtong”), a subsidiary of the Group, entered into a cooperation agreement with Tianjin Municipal Welfare Lottery Issuance Centre in relation to a project of sales of welfare lotteries with mobile phone/telephone in Tianjin, pursuant to which it is authorized by the Tianjin Municipal Welfare Lottery Issuance Centre to be the agent to sell welfare lotteries in Tianjin with mobile phones/fixed-line telephones.

Meanwhile, Huacai Yingtong also entered into an agreement with Chongqing Municipal Welfare Lottery Issuance Centre in September 2009, pursuant to which it is authorized to build a loyalty points exchange platform for Chongqing welfare lottery for owners of loyalty points to exchange their loyalty points for Chongqing welfare lotteries. The Group took the lead in introducing this idea, representing an innovative and breakthrough sales model for lotteries in China.

Following the establishment of their research and development center in China (which is the first of its kind by an international lottery company) by International Game Technology (“IGT”), the Group’s strategic partner, both parties had made a further capital injection into IGT-Synergy Technology (Beijing) Co., Ltd., their joint venture in China, in order to jointly develop lottery businesses in China. Such capital injection was completed in October.

The Group and Electronic Game Card, Inc. (“EGC”) entered into a cooperation agreement in October in respect of their cooperation in developing the business of marketing and sales of electronic game cards in China.

The Group is collaborating with its strategic partners, namely IGT, GTECH and EGC, to develop a wide variety of lottery-related products tailored to the China market, and provide overall support to the China lottery industry in areas such as system development, game development and research, design and manufacture of terminal equipment, and operation’s maintenance, improving and enriching the variety and content of games, as well as introducing the technology and management techniques of responsible gaming, thereby fostering the safe and healthy development of the China lottery market.

### *Corporate Social Responsibility*

The Group actively takes part in public welfare and charitable affairs in China. It is the initiator of the China Social Assistance Foundation (the “Foundation”), a national public funding foundation approved to establish and register by the Ministry of Civil Affairs of China in January 2009. In the third quarter, the Group donated RMB10 million to the Foundation for its social assistance programs.

### **Outlook**

In the first three quarters of 2009, the China lottery market showed strong growth momentum, with sales revenue reaching RMB95.8 billion, representing an increase of about 23.4% over the same period of last year. The Group remains optimistic about the prospects of China’s lottery industry. As a major lottery market worldwide, China has made ongoing efforts to catch up with countries with well-developed lottery industries, providing new opportunities for rapid development. With the introduction of the “Lottery Law” (State Council Decree No. 554), which was promulgated on 4 May 2009 and came into effect on 1 July 2009, a well-defined legal framework and safeguard has been established for China’s lottery industry, so that there will be more room for development and business opportunities available across the industry.

With respect to the Group's existing businesses, as the terminal equipment supplier of VLT, the Group works closely with CWLC in implementing the operational enhancements on VLT, and constantly enhances its capabilities in its video lottery system, research and development, manufacture and services for terminal equipment. As the exclusive supplier of terminal equipment and system for Keno, the nationwide high frequency lottery product under CWLC, the Group employs its advanced technology to assist the daily operation of the main transaction system, which has provided important support for the issuance of the game in the provinces. At the same time, the Group has provided strong marketing and technical support in developing add-on gameplay on Keno, which has been well received by CWLC. As the supplier of CTG terminal equipment for Guangdong province, the Group will capture the opportunity of this contract renewal with Guangdong Province to further improve and develop its own capability, with an aim to expanding the business to other provinces in China. At the same time, the Group will actively explore and seek the development of new lottery technology and new channels for lottery, as well as seize new opportunities in emerging markets for the Group with its welfare lottery mobile information terminal business now being carried out in a selected province.

The Group will continue to focus on China's lottery businesses, and seek to create new revenue streams by means of business expansion and participation in various parts of the lottery value chain. At the same time, the Group will endeavor to enhance its business portfolio and strengthen its revenue base and profitability by exploring investment opportunities with good return potentials, including businesses in the shareholders' interests and with strategic values, in order to provide long-term and stable investment returns to its shareholders.

## Financial Review

During the period under review, the Group's business performance was improved since four new video lottery games had been launched in July 2009. In the third quarter of 2009, the Group recorded a turnover of approximately HK\$29.19 million, representing an increase of 74% compared with the same period of last year. The net loss attributable to equity holders of the Company was approximately HK\$38.37 million, representing a decrease of 29% compared with the same period of last year. In the first three quarters of 2009, the Group recorded a turnover of approximately HK\$53.97 million (the first three quarters of 2008: HK\$90.84 million) and net loss attributable to equity holders of the Company of approximately HK\$81.42 million (the first three quarters of 2008: HK\$77.27 million).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, the interests and short positions of the Directors and chief executives 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 standard of dealings by directors of the listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

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

Name of Directors	Number of shares				Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests	Total	
LAU Ting	213,155,212(L)	341,407,092(L) (Note 1)	1,629,617,232(L) 23,093,192(S) (Notes 2 & 3)	2,184,179,536(L) 23,093,192(S) (Note 3)	29.51%(L) 0.31%(S)
CHAN Shing	341,407,092(L)	213,155,212(L) (Note 4)	1,629,617,232(L) 23,093,192(S) (Notes 2 & 3)	2,184,179,536(L) 23,093,192(S) (Note 3)	29.51%(L) 0.31%(S)
HUANG Shenglan	4,000,000(L)	-	-	4,000,000(L)	0.05%(L)

#### Notes:

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 45,280,768 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. 42,380,168 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,541,956,296 shares were held by Burwill Holdings Limited ("Burwill"), which was owned as to 7.27% by Hang Sing, as to 6.81% by Strong Purpose, as to 3.34% by Ms. LAU Ting, as to 3.42% by Mr. CHAN Shing and as to 41.48% by Glory Add Limited, a company which was indirectly wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 23,093,192 shares held by Hang Sing were in short positions.
3. 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.
4. These shares were owned by Ms. LAU Ting.
5. The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

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

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 1/1/2009	granted during the period	held as at 30/9/2009	
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	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%
	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%	
							59,200,000	0.800%

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period		No. of shares under the options granted			Approximate percentage of the Company's issued share capital
			from	until	held as at 1/1/2009	during the period	held as at 30/9/2009	
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%
	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%
							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%	

**Note:**

All interests in underlying shares were in long positions.



Save as disclosed above, as at 30 September 2009, none of the Directors or chief executives 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 standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2009, 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 executives of the Company) had interests and short positions in the shares and underlying shares of the Company:

### (1) Interests in Shares

Name of Shareholders	Number of shares				Approximate percentage of 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.	-	-	1,405,526,800(L)	1,405,526,800 (L) (Note 2)	18.99%(L)
Passport Capital, LLC	-	1,405,526,800 (L)	-	1,405,526,800 (L) (Note 2)	18.99%(L)
Passport Management, LLC	-	1,405,526,800 (L)	-	1,405,526,800 (L) (Note 2)	18.99%(L)
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A - global strategy	960,244,800(L)	-	-	960,244,800(L) (Note 2)	12.97%(L)
Atlantis Investment Management Limited	-	923,500,000(L)	-	923,500,000(L)	12.48%(L)
Ward Ferry Management (BV) Limited	-	730,322,000(L)	-	730,322,000(L) (Note 3)	9.87%(L)
Legg Mason Inc	-	474,976,000(L)	-	474,976,000(L) (Note 4)	6.42%(L)
JPMorgan Chase & Co.	-	452,936,346(L) 444,816,000(P)	-	452,936,346(L) 444,816,000(P) (Note 5)	6.12%(L) 6.01%(P)
Passport Special Opportunities Master Fund, LP	448,910,000(L)	-	-	448,910,000(L) (Note 2)	6.06%(L)
International Game Technology	373,600,000(L)	-	-	373,600,000(L)	5.05%(L)

*Notes:*

1. 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.
2. 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.
3. 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.
4. These shares were held by Legg Mason International Equities (Singapore) Pte Limited which in turn was wholly-owned by LM International Holding LP. LM International Holding LP was wholly-owned by Legg Mason International Holdings II, LLC, a company which was wholly-owned by Legg Mason Inc.
5. 444,816,000 shares, represented the lending pool shares, were held by JPMorgan Chase Bank, N.A. which in turn was wholly-owned by JPMorgan Chase & Co.. 8,120,346 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..
6. The letter "L" denotes long position(s) and the letter "P" denotes lending pool(s).

## **(2) Interests in Underlying Shares**

As at 30 September 2009, 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 September 2009, there was no person (other than the Directors and chief executives 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 shares during the nine months ended 30 September 2009.

## **COMPETING INTERESTS**

The Board believes 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 Audit Committee of the Company currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. The unaudited third quarterly results of the Group for the nine months ended 30 September 2009 have been reviewed by the Audit Committee.

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

Hong Kong, 12 November 2009

*As at the date of this report, 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.*