



## REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

#### FINANCIAL RESULTS

The board of directors (the “Board”) of REXCAPITAL Financial Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

#### Condensed Consolidated Income Statement

		Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	195,545	27,944
Other income		1,798	691
Fair value gains on financial assets at fair value through profit or loss, net		1,929	15,610
Impairment losses for bad and doubtful debts written back, net		7,026	11,573
Raw material consumed		(78,166)	-
Cost of trading of listed securities		(21,734)	(1,852)
Commission expenses		(4,293)	(1,445)
Depreciation and amortisation expenses		(5,581)	(771)
Staff costs		(18,357)	(8,647)
Other operating expenses		(33,672)	(12,689)
Operating profit		44,495	30,414
Finance costs		(1,577)	(8,905)
Profit before taxation	4	42,918	21,509
Taxation	5	(6,365)	(1,279)
Profit for the period		36,553	20,230

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2007</b>	<b>2006</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>		
Attributable to:			
Equity holders of the Company		<b>16,627</b>	20,230
Minority interests		<b>19,926</b>	-
		<u><b>36,553</b></u>	<u>20,230</u>
Dividend	6	<u>-</u>	<u>-</u>
Earnings per share			
Basic	7(a)	<u><b>0.28 cents</b></u>	<u>0.61 cents</u>
Diluted	7(b)	<u><b>0.27 cents</b></u>	<u>0.59 cents</u>

## Condensed Consolidated Balance Sheet

		At 30 June 2007 (Unaudited) HK\$'000	At 31 December 2006 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		50,831	43,139
Prepaid lease payments on land use rights		6,239	5,981
Goodwill		384,095	384,095
Intangible assets		12,122	11,945
Deposit for acquisition of leasehold land use rights and buildings		25,020	23,500
Statutory deposits		2,132	2,133
Deferred tax asset		3,715	3,715
		<u>484,154</u>	<u>474,508</u>
<b>Current assets</b>			
Inventories		59,155	53,569
Trade receivables	8	278,386	323,101
Other receivables		55,000	40,000
Other debtors, deposits and prepayments		104,996	66,684
Financial assets at fair value through profit or loss		19,398	20,288
Profits tax refundable		2,974	3,181
Cash and cash equivalents	9	159,884	164,867
		<u>679,793</u>	<u>671,690</u>
<b>Total assets</b>		<u><u>1,163,947</u></u>	<u><u>1,146,198</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	11	59,950	59,170
Reserves		784,886	752,262
		<u>844,836</u>	<u>811,432</u>
<b>Minority interests</b>		<u>148,295</u>	<u>118,612</u>
<b>Total equity</b>		<u><u>993,131</u></u>	<u><u>930,044</u></u>

		<b>At 30 June 2007 (Unaudited) HK\$'000</b>	At 31 December 2006 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		14,348	12,777
Deferred tax liabilities		6,642	6,374
		<u>20,990</u>	<u>19,151</u>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	96,626	41,309
Other payables and accruals		14,389	26,334
Bank borrowings		30,580	125,667
Current tax liabilities		8,231	3,693
		<u>149,826</u>	<u>197,003</u>
<b>Total liabilities</b>		<u>170,816</u>	<u>216,154</u>
<b>Total equity and liabilities</b>		<u>1,163,947</u>	<u>1,146,198</u>
<b>Net current assets</b>		<u>529,967</u>	<u>474,687</u>
<b>Total assets less current liabilities</b>		<u>1,014,121</u>	<u>949,195</u>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and are compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new “HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on 1 January 2007. The adoption of these new HKFRSs has no material impact on the Group’s results for the current period or financial position at 30 June 2007.

The Group has not yet early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The management anticipates the application of these standard, amendment or interpretations will have no material impact on the result and financial position of the Group.

HKAS 23(Revised)	Borrowing Cost <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

## 2. Business and geographical segments

For management purposes, the Group is organized into the following four major operating divisions:

- i) Financial services
- ii) Money lending
- iii) Investment trading and holding
- iv) Lottery business

In accordance with the Group’s internal financial and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

An analysis of the Group's unaudited turnover and segmental results for the period by principal activities are as follows:

**Business segments**

For the six months ended 30 June 2007

	Financial services		Money lending		Investment trading and holding		Lottery business		Total	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	<u>14,174</u>	<u>9,445</u>	<u>2,379</u>	<u>8,924</u>	<u>20,172</u>	<u>9,575</u>	<u>158,820</u>	<u>-</u>	<u>195,545</u>	<u>27,944</u>
Results										
Segment profit	<b>2,441</b>	3,092	<b>2,205</b>	807	<b>310</b>	22,121	<b>44,273</b>	-	<b>49,229</b>	26,020
Net unallocated expenses									<u>(6,311)</u>	<u>(4,511)</u>
Profit before taxation									<b>42,918</b>	21,509
Taxation									<u>(6,365)</u>	<u>(1,279)</u>
Profit for the period									<u><b>36,553</b></u>	<u>20,230</u>

**Geographical segments**

For the six months ended 30 June 2007

The Group's business segments operate into two geographical areas.

	Turnover		Segment results and profit before taxation	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Hong Kong	<b>36,725</b>	27,944	<b>(920)</b>	21,509
PRC	<b>158,820</b>	-	<b>43,838</b>	-
	<u><b>195,545</b></u>	<u>27,944</u>	<u><b>42,918</b></u>	<u>21,509</u>

### 3. Turnover

Turnover represents the aggregate of commission income and handling fee income, interest income, income from trading of listed securities, asset management and advisory income and income from provision of lottery machines and related services.

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Commission income and asset management income	9,409	3,896
Interest income from		
- Bank	632	1,148
- Margin clients	4,135	5,549
- Loan receivables	2,378	8,924
Income from trading of listed securities	20,171	8,427
Income from provision of lottery machines and related services	158,820	-
	<u>195,545</u>	<u>27,944</u>

### 4. Profit before taxation

The Group's profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation and amortisation on:		
- Property, plant and equipment	4,587	771
- Prepaid lease payments on land use rights	29	-
- Intangible assets	965	-
Operating lease rentals in respect of office premises and warehouse	<u>3,233</u>	<u>2,768</u>

## 5. Taxation

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the six months ended 30 June 2007. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong	-	1,279
PRC	<b>6,365</b>	-
	<u><b>6,365</b></u>	<u>1,279</u>

## 6. Dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2007 (2006: HK\$Nil).

## 7. Earnings per share

The calculation of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK\$16,627,000 (2006: HK\$20,230,000).

- (a) The basic earnings per share is based on the weighted average number of 5,957,845,000 (2006: 3,305,773,000) ordinary shares in issue during the six months ended 30 June 2007.
- (b) The diluted earnings per share for the six months ended 30 June 2007 is based on 6,062,322,000 (2006:3,438,191,000) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 104,477,000 (2006:132,418,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.



## 8. Trade receivables

	At 30 June 2007 (Unaudited) <i>HK\$'000</i>	At 31 December 2006 (Audited) <i>HK\$'000</i>
Margin client receivables, net	12,119	3,610
Other client receivables, net	3,729	9,926
Broker receivables	10,640	5,431
Amounts due from clearing houses	110	1,358
Loan receivables, net	134,345	214,713
Loan interest receivables, net	4,434	6,709
Trade debtors, net	113,009	81,354
	<u>278,386</u>	<u>323,101</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited (the "SEHK") with a market value of approximately HK\$89,032,000 as at 30 June 2007 (31 December 2006: HK\$136,737,000). No aged analysis is disclosed for margin client receivables as, in the opinion of the directors of the Company ("Directors"), the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of other client receivables, broker receivables and amounts due from clearing houses are one to two days after the trade date. The age of these balances is within 30 days.

The remaining maturity and aged analysis of loan receivables and trade debtors as at 30 June 2007 are as follows:

	At 30 June 2007 (Unaudited) <i>HK\$'000</i>	At 31 December 2006 (Audited) <i>HK\$'000</i>
Three months or less	144,188	179,658
One year or less but over three months	103,166	116,409
	<u>247,354</u>	<u>296,067</u>

## 9. Bank balances and cash

	At 30 June 2007 (Unaudited) <i>HK\$'000</i>	At 31 December 2006 (Audited) <i>HK\$'000</i>
Bank balances		
- general accounts	80,534	22,555
- segregated accounts	78,424	17,633
Cash in hand	926	1,392
Pledged bank deposit	-	123,287
	<u>159,884</u>	<u>164,867</u>

The pledged bank deposit was released after repayment of the secured loan during the period.

## 10. Trade payables

	At 30 June 2007 (Unaudited) <i>HK\$'000</i>	At 31 December 2006 (Audited) <i>HK\$'000</i>
Margin client payables	9,668	7,303
Other client payables	49,424	17,117
Broker payables	311	-
Amount due to clearing houses	3,594	-
Trade payables	33,629	16,889
	<u>96,626</u>	<u>41,309</u>

Margin client payables and other client payable are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of broker payables and amount due to clearing houses are one to two days after the trade date. The age of these balances is within 30 days.

The aged analysis of the Group's trade payables as at 30 June 2007 are as follows:

	<b>At 30 June 2007 (Unaudited) HK\$'000</b>	At 31 December 2006 (Audited) HK\$'000
Three months or less	32,367	9,625
One year or less but over three months	1,262	7,264
	<u>33,629</u>	<u>16,889</u>

## 11. Share capital

### *Authorized:*

	<b>Ordinary shares of HK\$0.01 each Number of shares</b>	<b>HK\$</b>
At 31 December 2006 and at 30 June 2007	<u>20,000,000,000</u>	<u>200,000,000</u>

### *Issued and fully paid:*

	<b>Ordinary shares of HK\$0.01 each Number of shares</b>	<b>HK\$</b>
At 31 December 2006	5,917,000,000	59,170,000
Exercise of share options	78,000,000	780,000
At 30 June 2007	<u>5,995,000,000</u>	<u>59,950,000</u>

## 12. Comparative amount

Certain comparative amounts have been reclassified and restated to comply with the new and revised HKFRSs' requirements and conform with the current period's presentation.

## 13. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2007 (31 December 2006: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review And Prospects

For the period under review, the Group was principally engaged in lottery system and games design business and the provision of financial services, including securities broking and margin financing, money lending and investment trading and holding. In order to diversify its business, the Group has been exploring investment opportunities in China.

#### *Welfare Lottery*

The Group has established a strong presence in China Welfare Lottery market through its subsidiary Shenzhen Sinodata Technology Co Ltd (“Sinodata”), which is engaged in the development and production of proprietary lottery machines, related operation software system and networks for the welfare lottery industry in China. Sinodata has already deployed over 50,000 lottery machines and its operations spread over 15 provinces and municipalities in China.

In March 2007, the Group further acquired an aggregate of 18.94% interest in Sinodata, for a total consideration of HK\$235,250,000. Sinodata is the single largest Computer Ticket Games (“CTG”) system provider for welfare lottery in China in terms of geographical coverage, number of machines deployed and welfare lottery revenue generated in the provinces covered. The transaction was completed in August 2007 and the Group’s shareholding in Sinodata has been increased to 64.75%. In June 2007, the Group rolled out a new self-developed high frequency 2D CTG (Kuai 2) in Hainan, China.

The Group is also actively involved in the instant lottery (“Scratch Cards”) business in China through its subsidiary Beijing Guard Libang Technology Co Ltd (“Guard Libang”), which business covers 17 provinces and municipalities in China. Guard Libang is the leading and exclusive provider of systems and games for Scratch Cards in the China Welfare Lottery market based on its proprietary 2D barcode anti-counterfeiting technology.

#### *Sports Lottery*

Through its subsidiary Shenzhen Kingsail Software Tech Co Ltd, the Group is one of the 7 licensed providers to the China Sports Lottery CTG. It has established business in 4 provinces and municipalities in China and will continue to increase participation in the sports lottery market.

The results of the lottery business for the period was encouraging. The turnover of the lottery business was approximately HK\$158,820,000, representing 81% of the total turnover. Profit arising from this segment amounted to approximately HK\$44,273,000.

#### *Money Lending*

Interest income earned from money lending business in the period decreased by 73% to HK\$2,379,000 (2006: HK\$8,924,000). The Group will continue to adopt a prudent financing policy and maintain strict control in granting loans to the clients. The profit increased to HK\$2,205,000 (2006: HK\$807,000) due to the substantial decrease in interest expense as a result of the repayment of bank borrowings during the period.

### ***Investment Trading and Holding***

Resulting from the overwhelming response to the bullish market sentiment during the period, the turnover of investment trading and holding segment increased substantially to HK\$20,172,000 (2006: HK\$9,575,000), an increase of 111%, and generated a profit of HK\$310,000 (2006: HK\$22,121,000). The drop in profit was due to the unrealized gain on securities amounting to HK\$15,610,000 in 2006. The Group will continue to carry out regular reviews and assessment of the investment portfolio.

### ***Financial Services***

Inflows of funds in anticipation of the potential effects generated by Qualified Domestic Institutional Investor (QDII) arrangements, continued speculation over appreciation of the RMB as well as buoyant “A” share markets in China have countered off the adverse effect from sub prime mortgage lending crisis in the United States. The daily average securities trading on the Hong Kong Stock Exchange sustains a rising trend. Turnover of the Group’s financial services increased by 50% to HK\$14,174,000 (2006: HK\$9,445,000). The profit decreased to HK\$2,441,000 (2006: HK\$3,092,000). The decrease in profit was mainly due to the reduce in impairment losses for bad and doubtful debts written back to HK\$7,026,000 (2006: HK\$11,573,000).

### ***Looking Ahead***

Subsequent to the period end in July 2007, the Group announced that it would first acquire the remaining 30% interest in Guard Libang and sell a 50% interest in Guard Libang to US-listed Scientific Games Corporation (“Scientific Games”), the world renowned instant ticket system and games provider. The Group and Scientific Games will then become joint shareholders of Guard Libang. The partnership will enable the Group’s access to the library of games in Scientific Games and its expertise and know-how in growing instant ticket lotteries around the world.

Apart from bringing international lottery games development, practices and technologies to the growing lottery market in China, the Group is actively identifying appropriate lottery-related investment opportunities in China and will continue to offer quality and comprehensive services to the market with a view to consolidate its leading position in China lottery industry.

## **Financial Review**

### ***Financial Results***

For the six months ended 30 June 2007, the Group achieved an encouraging result. During the period, the Group recorded a turnover of HK\$195,545,000 (2006: HK\$27,944,000), representing an increase of 600% over the last year. The increase was mainly attributable to the Group’s lottery business in China which achieved a turnover of HK\$158,820,000 and also partly due to the growth in investment trading and holdings activities and financial services.

The unaudited profit attributable to shareholders was HK\$16,627,000 (2006: HK\$20,230,000). The earnings per share was 0.28 cents (2006: 0.61 cents). Fully diluted earnings per share was 0.27 cents (2006: 0.59 cents).

### ***Liquidity, Financial Resources and Funding***

At 30 June 2007, the equity attributable to equity holders of the Company amounted to HK\$844,836,000, representing an increase of HK\$33,404,000 or approximately 4% from those of 31 December 2006.

At 30 June 2007, the Group had cash reserves of approximately HK\$159,884,000 (31 December 2006: HK\$164,867,000), which included approximately HK\$78,424,000 (31 December 2006: HK\$17,633,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio as at 30 June 2007 was 4.5% (31 December 2006: 14.89%). The gearing ratio was derived by dividing the aggregate of bank borrowings and other borrowings by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 454% (31 December 2006: 341%), reflecting adequacy of financial resources.

The Group had outstanding bank loan and overdrafts of approximately HK\$44,928,000 as at 30 June 2007 (31 December 2006: HK\$138,444,000). The bank loan and overdrafts were denominated in Hong Kong dollars and Renminbi, interest bearing at prevailing commercial lending rates. Listed investments belonging to clients and the deposit for acquisition of leasehold land use rights and building were pledged to secure these bank loan and overdrafts. These loan and overdrafts were used to finance the Group's operations. We expect that all these borrowings will be repaid by internally generated funds. During the period, the secured loan of HK\$122,509,000 has been repaid.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

### ***Pledge of Assets***

At 30 June 2007, the Group's bank deposit of HK\$nil (31 December 2006: HK\$123,287,000), listed investments belonging to clients with total market value of approximately HK\$23,705,000 respectively (31 December 2006: HK\$21,871,000) and deposit for acquisition of leasehold land use rights and building of HK\$25,020,000 (31 December 2006: HK\$23,500,000) were pledged to banks to secure the bank borrowings granted to the Group. During the period, the charge on the pledged deposit has been released as a result of repayment of certain bank borrowings after year end.

### ***Share Capital***

78,000,000 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of share options granted by the Company.

Save as the above, there was no change in the share capital structure of the Company during the period under review.

### ***Exchange Rate Risk***

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar or Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

### ***Material Acquisitions and Disposals of Subsidiaries***

On 19 March 2007, the Company entered into a share purchase agreement with Excellot Assets Management Limited under which the Company has agreed to acquire 1 share of US\$1.00 in the share capital of Global Union Group Limited ("Global Union"), representing the entire issued share capital of Global Union, and the shareholder's loan due from Global Union to the vendor at a consideration of HK\$119,487,500. The consideration has to be satisfied as to HK\$12,825,000 in cash and as to HK\$106,662,500 by issue of 152,375,000 ordinary shares of HK\$0.01 each of the Company at a price of HK\$0.7 per share to the vendor or its nominees. Global Union indirectly holds approximately 9.62% of the registered capital of Sinodata. Details of the acquisition are set out in the Company's circular dated 29 June 2007. The transaction has been completed on 17 August 2007.

On 19 March 2007, the Company entered into a share purchase agreement with Sino Gateway International Limited under which the Company has agreed to acquire 1 share of US\$1.00 in the share capital of Huge Rich Enterprises Limited ("Huge Rich"), representing the entire issued share capital of Huge Rich, and the shareholder's loan due from Huge Rich to the vendor at a consideration of HK\$115,762,500. The consideration has to be satisfied as to HK\$12,425,000 in cash and as to HK\$103,337,500 by issue of 147,625,000 ordinary shares of HK\$0.01 each of the Company at a price of HK\$0.7 per share to the vendor or its nominees. Huge Rich indirectly holds approximately 9.32% of the registered capital of Sinodata. Details of the acquisition are set out in the Company's circular dated 29 June 2007. The transaction has been completed on 17 August 2007.

Upon completion of the acquisitions as stated above, the Group, together with its then existing interests in Sinodata, holds approximately 65% in the registered capital of Sinodata indirectly.

### ***Post Balance Sheet Events***

On 18 July 2007, Genius Nation Limited ("Genius Nation"), a direct wholly-owned subsidiary of the Company, entered into a share transfer contract with, among others, Cityhorizon International Limited ("Cityhorizon") pursuant to which Genius Nation agreed to acquire the entire interest in the share capital of Gentleigh International Limited ("Gentleigh") at a consideration of the US dollars equivalent of RMB120,000,000 (the "Gentleigh Share Transfer Contract"). Upon completion, the Group will indirectly own further 30% of Guard Libang. Details of the acquisition are set out in the Company's announcement and circular dated 24 July 2007 and 15 August 2007 respectively. The transaction has not yet been completed up to the date of this announcement.

On 18 July 2007, the Company, Genius Nation, Scientific Games Luxembourg Holdings SARL (“Scientific Games Luxembourg”) and Scientific Games Corporation entered into a sale and purchase agreement pursuant to which Scientific Games Luxembourg has agreed to acquire, and Genius Nation has agreed to sell, a 50% interest in the share capital of Happy Sun Technologies Ltd, a direct wholly-owned subsidiary of the Genius Nation, at a consideration of the US dollars equivalent of RMB210,000,000 (the “Happy Sun Sale and Purchase Agreement”). Details of the disposal are set out in the Company’s announcement and circular dated 24 July 2007 and 15 August 2007 respectively. The transaction has not yet been completed up to the date of this announcement.

Cityhorizon is owned as to 50% by a director of Guard Libang, therefore, Cityhorizon and its beneficial owners are connected persons of the Company. As such, the transaction contemplated under the Gentleigh Share Transfer Contract constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to independent shareholders’ approval. Since the Happy Sun Sale and Purchase Agreement and other ancillary agreements are conditional upon the series of transactions contemplated under the Gentleigh Share Transfer Contract, the transactions under the Happy Sun Sale and Purchase Agreement are also subject to independent shareholders’ approval. Each of the Gentleigh Share Transfer Contract and the Happy Sun Sale and Purchase Agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company at the special general meeting held on 7 September 2007.

### ***Human Resources***

At 30 June 2007, the Group had 637 employees.

The Group remunerated its employees mainly based on the individual’s performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group’s performance as well as the individual’s performance.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff members for the upcoming changes and challenges in the market and industry.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2007.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.



## **AUDIT COMMITTEE**

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2007.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the six months period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently the non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

By order of the Board  
**Chan How Chung, Victor**  
*Director*

Hong Kong, 27 September 2007

*As at the date of this announcement, the Board comprises two executive directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon and three independent non-executive directors namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun.*