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REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and jointly controlled entities (together, the “Group”) for the six months ended 30 June 2011 together with the unaudited comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
Turnover	4	843,091	699,517
Cost of sales/services rendered		(384,621)	(316,316)
Other income		4,083	1,979
Other gains/(losses), net		2,834	(7,059)
Selling and distribution expenses		(54,077)	(35,843)
Administrative expenses		(83,874)	(79,668)
Operating profit		327,436	262,610
Finance costs		(2,747)	(1,701)
Profit before taxation	5	324,689	260,909
Taxation	6	(13,917)	(12,756)
Profit for the period		310,772	248,153

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
	Equity holders of the Company	308,790	243,767
	Non-controlling interests	1,982	4,386
		<u>310,772</u>	<u>248,153</u>
Dividend	7	<u>0.48 cent</u>	<u>0.35 cent</u>
Earnings per share			
	Basic	<u>3.97 cents</u>	<u>3.18 cents</u>
	Diluted	<u>3.97 cents</u>	<u>3.17 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>310,772</u>	<u>248,153</u>
Other comprehensive income		
Exchange difference arising from translation of foreign operations	<u>29,225</u>	<u>4,121</u>
Total comprehensive income for the period	<u>339,997</u>	<u>252,274</u>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	<u>336,111</u>	247,453
Non-controlling interests	<u>3,886</u>	<u>4,821</u>
	<u>339,997</u>	<u>252,274</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2011 (Unaudited) <i>HK\$'000</i>	At 31 December 2010 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		274,307	236,607
Prepaid lease payments on land use rights		37,280	36,103
Investment property		1,200	1,159
Goodwill		1,702,266	1,702,266
Intangible assets		125,647	103,650
Statutory deposits		833	833
Deferred tax assets		47	46
		2,141,580	2,080,664
Current assets			
Inventories		199,937	138,793
Trade receivables	9	850,460	867,998
Utility and other deposits		427,657	287,916
Prepayments and other receivables		563,884	430,876
Available-for-sale financial asset	10	44,000	–
Financial assets at fair value through profit or loss		10,519	8,514
Cash and bank balances	11	240,363	294,214
		2,336,820	2,028,311
Total current assets		2,336,820	2,028,311
Total assets		4,478,400	4,108,975
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	77,932	77,677
Reserves		3,958,223	3,600,113
Proposed final dividend		–	43,608
		4,036,155	3,721,398
Non-controlling interests		56,596	52,710
Total equity		4,092,751	3,774,108

		At 30 June 2011 (Unaudited) <i>HK\$'000</i>	At 31 December 2010 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>57,815</u>	<u>59,933</u>
Total non-current liabilities		<u>57,815</u>	<u>59,933</u>
Current liabilities			
Trade payables	<i>12</i>	74,336	77,494
Other payables and accruals		62,432	54,159
Dividend payable		43,608	–
Borrowings	<i>13</i>	110,782	111,466
Current tax liabilities		<u>36,676</u>	<u>31,815</u>
Total current liabilities		<u>327,834</u>	<u>274,934</u>
Total liabilities		<u>385,649</u>	<u>334,867</u>
Total equity and liabilities		<u><u>4,478,400</u></u>	<u><u>4,108,975</u></u>
Net current assets		<u><u>2,008,986</u></u>	<u><u>1,753,377</u></u>
Total assets less current liabilities		<u><u>4,150,566</u></u>	<u><u>3,834,041</u></u>

Notes:

1. Basis of preparation

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 with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new or revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new or revised standards and amendments that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income ³

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

The Group has not early adopted the new HKFRSs that have been issued but not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's result of operations and financial position.

3. Segment information

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment, the Group determines that there are two reportable segments which are lottery and financial business.

Business segments

For the six months ended 30 June 2011

	Lottery business		Financial business		Total	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>840,795</u>	<u>694,373</u>	<u>2,296</u>	<u>5,144</u>	<u>843,091</u>	<u>699,517</u>
Segment results						
Profit/(loss)	<u>340,441</u>	<u>277,130</u>	<u>(1,469)</u>	<u>(4,849)</u>	<u>338,972</u>	<u>272,281</u>
Net unallocated expenses					<u>(14,283)</u>	<u>(11,372)</u>
Profit before taxation					<u>324,689</u>	<u>260,909</u>
Taxation					<u>(13,917)</u>	<u>(12,756)</u>
Profit for the period					<u><u>310,772</u></u>	<u><u>248,153</u></u>

4. Turnover

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and interest income.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lottery Income		
Income from provision of lottery machines and related services	840,795	694,373
Financial Income		
Commission income	2,296	2,113
Interest income	–	3,031
	<u>843,091</u>	<u>699,517</u>

5. Profit before taxation

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation on:		
– Property, plant and equipment	37,400	31,191
– Intangible assets	3,725	3,630
Operating lease rentals in respect of office premises and warehouses	10,643	8,696

6. 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 2011 (2010: Nil). 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.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– PRC income tax	13,917	12,756
	<u>13,917</u>	<u>12,756</u>

7. Dividend

The Board has declared an interim dividend of 0.48 HK cent per share for the six months ended 30 June 2011 (2010: 0.35 HK cent per share) payable to shareholders of the Company whose names appear on the Company's register of members on 18 October 2011.

8. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2011 are based on the profit attributable to equity holders of the Company of approximately HK\$308,790,000 (2010: approximately HK\$243,767,000).

- (a) The basic earnings per share is based on the weighted average number of approximately 7,785,227,486 (2010: approximately 7,670,658,425) ordinary shares in issue during the six months ended 30 June 2011.
- (b) The diluted earnings per share is based on approximately 7,786,300,904 (2010: approximately 7,686,472,664) ordinary shares, being the weighted average number of ordinary shares in issue during the period plus the weighted average number of approximately 1,073,418 (2010: approximately 15,814,239) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9. Trade receivables

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Margin client receivables, net	2,521	4,497
Other client receivables, net	689	1,199
Broker receivables	5,179	131
Amount due from clearing house	3,206	2,064
Loan receivable	1,478	1,478
Loan interest receivable	391	391
Trade receivables – Lottery business	836,996	858,238
	850,460	867,998

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 with market value of approximately HK\$18,844,000 as at 30 June 2011 (31 December 2010: approximately HK\$21,882,000).

No aging analysis is disclosed for margin client receivables as, in the opinion of the directors of the Company (the "Directors"), such aging analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of other client receivables, broker receivables and amount due from clearing house are one to two days after the trade date or are repayable on demand. The age of these balances is within 30 days.

The Group generally grants credit periods of 90 to 160 days to its trade debtors.

The aging analysis of loan receivable, loan interest receivable and trade receivables – Lottery business as at 30 June 2011 is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Three months or less	519,333	548,537
One year or less but over three months	306,878	299,893
Over one year	<u>12,654</u>	<u>11,677</u>
	<u>838,865</u>	<u>860,107</u>

10. Available-for-sale financial asset

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Unlisted investment denominated in RMB, at fair value	<u>44,000</u>	<u>–</u>

11. Cash and bank balances

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Pledged bank deposits	40,181	45,302
Cash at banks		
– general accounts	184,913	232,400
– segregated accounts	11,749	14,687
Cash in hand	<u>3,520</u>	<u>1,825</u>
	<u>240,363</u>	<u>294,214</u>

12. Trade payables

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Margin client payables	3,735	4,641
Other client payables	16,298	13,189
Trade payables – Lottery business	54,303	53,850
Bills payables – Lottery business	–	5,814
	<u>74,336</u>	<u>77,494</u>

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates.

No aging analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, such aging analysis does not give additional value in view of the nature of business of securities margin financing and broking.

Trade payables – Lottery business are expected to be settled within one year or are repayable on demand.

The aging analysis of trade payables – Lottery business as at 30 June 2011 is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Three months or less	29,770	32,016
Over three months	24,533	21,834
	<u>54,303</u>	<u>53,850</u>

13. Borrowings

	At 30 June 2011 (Unaudited) <i>HK\$'000</i>	At 31 December 2010 (Audited) <i>HK\$'000</i>
Bank loans		
– secured	99,579	96,106
– unsecured	<u>11,203</u>	<u>15,360</u>
All due within one year	<u><u>110,782</u></u>	<u><u>111,466</u></u>

Bank loans are repayable within one year or when the facility is withdrawn. These borrowings are used to finance the lottery business of the Group.

Bank loans of approximately HK\$99,579,000 (31 December 2010: HK\$96,106,000) were secured by the leasehold buildings and land use right and bank deposits (*note 11*) of the Group.

14. Share capital

Authorised:

Ordinary shares of HK\$0.01 each

	Number of shares	Amount <i>HK\$</i>
At 31 December 2010 and at 30 June 2011	<u><u>20,000,000,000</u></u>	<u><u>200,000,000</u></u>

Issued and fully paid:

Ordinary shares of HK\$0.01 each

	Number of shares	Amount <i>HK\$</i>
At 31 December 2010	7,767,675,000	77,676,750
Issuance upon exercise of share options	<u>25,500,000</u>	<u>255,000</u>
At 30 June 2011	<u><u>7,793,175,000</u></u>	<u><u>77,931,750</u></u>

15. Commitments

As at 30 June 2011, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 (Unaudited) <i>HK\$'000</i>	At 31 December 2010 (Audited) <i>HK\$'000</i>
Land and buildings		
Within one year	15,171	13,694
In the second to fifth year inclusive	12,181	6,301
	27,352	19,995

The Group leases various office premises and warehouses under operating leases.

16. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group was principally engaged in lottery system and games development business and distribution and marketing of lottery products in China.

The China lottery market comprises two lotteries, namely, the China Welfare Lottery and the China Sports Lottery. The Group provides services to both lotteries.

BUSINESS REVIEW AND PROSPECTS

Lottery Business

The Group's lottery business can be broadly divided into System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB").

Turnover of the lottery business for the period increased by 21% to HK\$840,795,000 (2010: HK\$694,373,000), accounting for about 99% of the total turnover. Profit before taxation arising from this segment recorded a growth of 23% to HK\$340,441,000 (2010: HK\$277,130,000).

China Lottery Market

In the first six months of 2011, China's lottery market registered total lottery sales of RMB101.14 billion, up by 31% over the same period of 2010.

During the period under review, China's total Welfare Lottery sales was RMB58.99 billion, accounting for about 58% of the total lottery sales in China. Welfare Computer Ticket Games ("CTG") accounted for 69.4% of total Welfare Lottery sales and registered a 19% increase period-on-period to RMB40.92 billion. Welfare Scratch Card and Video Lottery Terminals ("VLT") accounted for about 17.3% and 13.3% of total Welfare Lottery sales respectively. Welfare Scratch Card witnessed a strong growth of approximately 53% period-on-period to RMB10.22 billion. Meanwhile, VLT sales doubled and reached RMB7.85 billion.

China's total Sports Lottery sales was RMB42.15 billion, accounting for about 42% of the total lottery sales in China for the first half of 2011. Compared with the corresponding period in 2010, sales of Sports CTG, including Single Match Games ("SMG"), increased by about 32% to RMB32.18 billion representing 76% of total Sports Lottery sales. Sports Scratch Card contributed the rest 24% of total Sports Lottery sales.

System and Games Development Business

The Group's SGDB Division has continued to deliver solid earnings during the period under review. Our SGDB Division is an active participant in the provision of system and equipments for both CTG and Scratch Cards products in China.

Welfare CTG Business

In line with the trend of the past few years, Welfare CTG continued to account for the lion's share of China's lottery market. Among all Welfare CTG products, Dual Colour Ball remained the most popular game due to its attractive jackpot and was able to lead growth in this segment during the period. The well received national games, coupled with the rapid development of regional games, have proven to be instrumental in fueling the growth of Welfare CTG in China.

Our Group's Welfare CTG business is principally conducted through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), a non-wholly owned subsidiary of our Group. Sinodata is the leading system and equipment supplier for the Welfare CTG market with an extensive service network spanning across 16 lottery provinces in China.

Given the strong track record and outstanding abilities in the field of system and games development, Sinodata is poised to strengthen its active role to foster the growth of Welfare CTG market by further expanding its service network when opportunity exists.

Welfare Scratch Card Business

For the first half of 2011, Welfare Scratch Cards sales increased substantially to RMB10.22 billion, a 53% surge over the same period of 2010. The great improvement in sales came partially from the efforts on shifting the product mix to contain a higher percentage of mid and high face value tickets in conjunction with the timely launch of various theme based tickets. The Group's SGDB division continues to benefit from the segment growth through its participation in scratch card operations including printing and validation.

The Group is the exclusive system and equipment supplier of Welfare Scratch Cards validation in China and the system implementation is done through our 50%-owned Beijing Guard Libang Technology Co Ltd (“Guard Libang”). Guard Libang is a 50 : 50 joint venture with Scientific Games Corporation (“Scientific Games”), the world’s leading instant lottery system and validation company. Our strategic partnership with Scientific Games enables us to bring its expertise and technology know-how to the Scratch Cards market in China.

The Group is also involved in Scratch Cards printing business and its printing facilities are located at Shijiazhuang, the Provincial Capital of Hebei Province. Through a cooperative venture with Shijiazhuang Offset Printing House, one of three entities authorized to print for the Welfare Scratch Cards programs, our Group continue to leverage on our unique status to get access to important market intelligence in games design for both physical and electronic scratch card games and is contributing to the sustainable development of Welfare Scratch Cards in China.

Sports CTG Business

The Group’s Sports CTG business involved the sales of CTG machines to Provincial Sports Lottery Centres across China serving the needs of traditional CTG segment and supporting the development of SMG. During the period under review, machine replacement demand started off slow but gradually improved as the year progressed. We expect to have a favorable demand trend this year as new round of machine replacement cycle will start and demand begin to increase.

Distribution and Marketing Business

Our DMB Division has successfully evolved from a mere physical distribution network under the cooperation distribution model into a comprehensive distribution platform covering most type of lottery products by means of physical and electronic channels. It is our long-term initiative to dedicate focused efforts to reach out to lottery consumers in China and address their needs directly with our reliable and innovative lottery services.

During the period under review, DMB Division has registered an outstanding growth with existing businesses continued to see improvement in profitability and new business started the first pilot testing program in China.

Cooperation Distribution Business

Under the cooperative model, we focus on with our distribution channel partners, entities and organizations that already had a widely diversified and recognized retail network. Our partners include China Post, PetroChina, Sinopec, China Resources, other major supermarket and convenience store chains. In order to capitalize on the growth of Scratch Card market, we keep expanding our network through adding more point of sale (“POS”) in selected prime locations in China.

Single Match Games Business

The Group’s SMG business is conducted through our franchised SMG shops across 7 key provinces in China. We also operate a 24-hours call center in Guangdong offering a range of complementary services to our customers. Although SMG is a relatively new segment in China lottery market, it has demonstrated tremendous growth potential since South Africa staged the World Cup in 2010. For the first six months of 2011, SMG sales tripled to approximately RMB6 billion, nearly exceeded the full year sales last year, in the absence of major tournament like World Cup. We saw strong growth on lottery sales generated from both football matches and basketball games, especially the sales on basketball side grew more than five folds during the period. We began to see a strengthening trend in SMG growth while SMG remains in the early stage of development. We are confident that SMG represents an attractive growth opportunity for us.

Our strategy in SMG business is to establish physical shops for marketing and recruit members, and with call center and other electronic distribution platforms to support business operations. During the period under review, we continued to expand our physical network to cover 7 provinces/regions in China and we are also excited to see the overwhelming response on the call center since it has been launched in May last year.

Mobile Lottery Business and the Electronic Lottery Platform

The Group commenced its first mobile based lottery distribution operation in 2009. By subscribing to our Mobile SMS Platform, customers can receive latest lottery information and purchase CTG tickets with SMS text messaging. We made significant progress deepening our penetration into existing provinces in China to bolster the growth of our customer base during the period.

As we entered 2011, we witnessed very positive developments in China lottery market after the issuance of provisional measures on the administration of electronic distribution channels in October last year. The rulings provided more legal certainty to the development of electronic distribution channels. In this regard, the Group was appointed as the provider of Mobile Electronic Lottery Platform (“Mobile ELP”) for Liaoning province and a pilot testing program for the Mobile ELP has commenced. We are pleased with the progress underway.

As the lottery distribution channels continue to innovate, the adaptive and functional electronic lottery platform acts as a steppingstone to our future success in DMB. The technological innovation and enhanced functionality of ELP will be crucial for the sustainable development of lottery market in light of the convergence of traditional and electronic lottery distribution channels.

Financial Business

Turnover of the financial business for the period decreased by 55% to HK\$2,296,000 (2010: HK\$5,144,000), accounting for 1% of the total turnover and recorded segment loss of HK\$1,469,000 (2010: HK\$4,849,000). Following our strategy to develop our lottery business as our core operations, we plan to divest the remaining financial business in order to focus our resources on the core lottery business segment.

OUTLOOK

Exploit Emerging Opportunities in an Ever-Evolving China Lottery Market

While there has been a renewed concern around global economy relapsing into a recession recently, we are still confident that China lottery market will again demonstrate its resilient nature to global market downturn. China’s total lottery sales in the 3rd and 4th quarters of 2008 and the 1st quarter of 2009 have all shown a substantial and continuing growth trend notwithstanding the financial tsunami which struck the world in the later half of 2008. As a major participant in the industry, we remain optimistic on our business outlook in both short and long run, and we believe our business development will continue to excel and make substantial progress in 2nd half of 2011, and more importantly, to contribute to the development of the lottery industry in China and the good causes that it seeks to support.

2011 is a milestone year for the China lottery market to lay the foundations and define the agenda for future growth, particularly for the “Twelfth Five-Year Plan” period started this year. With the first national regulation on lottery and the subsequent provisional measures on electronic lottery distribution, we believe lottery issuing authorities have outlined a vital blueprint to promote a sustainable development in future for the lottery industry. In the coming years, the evolution of those novel lottery distribution methods will open up immense opportunities for the lottery market to grow significantly. The Group is excited by these enormous opportunities to contribute our part in the transformation of China lottery market. Building on the success in our SGDB and DMB divisions, we will continue to implement our expansion initiatives to foster a healthy development of China lottery market.

Looking ahead, China lottery market will undergo a significant change over the lottery distribution channels characterized by the rise of electronic distribution channels, specifically mobile phone and the internet. We view this as a critical moment in the history of China lottery market amid the convergence of traditional physical sales network and innovative electronic distribution channels. Being the forerunner in the introduction of technologies and systems targeting this transition, our ongoing efforts have set the stage for REXLot to capitalize on the emerging opportunities.

The improvement of lottery products and player experience coupled with technological advancement over the past few years have equipped China lottery market for electronic lottery distribution channels to proliferate. We anticipate that the distinctive characteristics of electronic lottery distribution channels, such as mobility and interactivity, will facilitate the creation of a unique set of lottery products on these platforms. The Group is committed to work with international games design and lottery companies to develop related lottery products like electronic Scratch Card and high frequency games to take advantage of the new channels.

In addition, the above development will cause a fundamental change to the underlying structure of the stratified lottery consumer as their purchasing capacities, habits and motivations vary among each other. The formation of a brand new segment of customer base mainly consists of white collar and youths who possess stronger spending power on lotteries and has great desire to play lottery anytime and anywhere will contribute a quantum leap growth in the industry.

After years of preparation, we have achieved a significant breakthrough in the launching of electronic distribution channel through Mobile ELP in Liaoning province. With the expertise and successful experience in participating the pilot testing program, we are well positioned to further extend our business coverage towards other major lottery provinces as and when the opportunity arises.

In future, the Group will continue our efforts in extending our market edge and coverage of distribution business towards other major distribution channels including internet. We may engage in strategic acquisitions in order to accomplish our goal as the prospect of this area is very optimistic.

The electronic lottery distribution channels will not only have positive impacts to new products but could also reveal the true potential of existing lottery products. We believe the electronic lottery market is going to experience exponential growth in China over the next several years with a possibility to exceed the size of traditional lottery market under physical network.

As a major participant in China's Lottery industry, we are not only confident and optimistic about the future prospects of our Group, but are also confident that the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. We believe the solid foundation of our business will enable the Group to capitalize on the evolution underway as we deepen our penetration into the whole value chain of the China lottery market. Keeping abreast of the ever-evolving market and being market-oriented, we will exert our continuing efforts to its development and apply flexible and proactive marketing and investment strategies to make meaningful contributions to the China lottery industry, as well as to maximize shareholder value.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2011, the Group achieved an encouraging result. During the period, the Group recorded a turnover of HK\$843,091,000 (2010: HK\$699,517,000), representing an increase of 21% over the last year. The increase was mainly attributable to the increase in turnover from the lottery business.

The unaudited profit attributable to shareholders was HK\$308,790,000 (2010: HK\$243,767,000). The earnings per share was 3.97 HK cents (2010: 3.18 HK cents). Fully diluted earnings per share was 3.97 HK cents (2010: 3.17 HK cents).

Liquidity, Financial Resources and Funding

At 30 June 2011, the equity attributable to equity holders of the Company amounted to HK\$4,036,155,000 as compared to HK\$3,721,398,000 at the end of the previous year.

At 30 June 2011, the Group had cash reserves of approximately HK\$240,363,000 (31 December 2010: HK\$294,214,000), which included approximately HK\$11,749,000 (31 December 2010: HK\$14,687,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed with major banks in the PRC and Hong Kong.

The gearing ratio as at 30 June 2011 was 2.71% (31 December 2010: 2.95%). The gearing ratio was derived by dividing the aggregate of borrowings by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 713% (31 December 2010: 738%), reflecting adequacy of financial resources.

The Group had outstanding bank borrowings of approximately HK\$110,782,000 as at 30 June 2011 (31 December 2010: approximately HK\$111,466,000). The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. It is expected that all these borrowings will be repaid by internal generated funds.

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 2011, the Group's land and building with total market value of approximately HK\$64,337,000 (31 December 2010: HK\$62,090,000) and the Group's bank deposits of HK\$40,181,000 (31 December 2010: HK\$45,302,000) were pledged to banks to secure the bank borrowings granted to the Group.

Share Capital

25,500,000 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.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

The Group's assets, liabilities and transactions are mainly 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.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 June 2011.

Human Resources

At 30 June 2011, the Group had 1,404 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of 0.48 HK cent per share for the six months ended 30 June 2011 (2010: 0.35 HK cent per share) payable to shareholders of the Company whose names appear on the Company's register of members on 18 October 2011. The interim dividend will be paid on or about 31 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 October 2011 to Tuesday, 18 October 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 October 2011.

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 2011.

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 enquiries by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

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 2011.

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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Group for the six months ended 30 June 2011 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0555rexlot>) respectively. The 2011 interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 29 August 2011

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.