



Annual Report 2008



**AGTech**  
www.agtech.com

**AGTech Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8279

## **CHARACTERISTICS OF THE GEM OF 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.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.*

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好运中国

场馆  
Stadiums

最高奖金 3万元

中奖  
号码

35-0000000001-000

中国

勇争第一

勇争第一

最高奖金

# FORTUNE

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*We provide lottery games, sales terminals and systems and tailor-made consultancy services to the sports lottery administration centres and authorised lottery operators in China with a view to boosting lottery sales for these parties while bringing fortune to the lottery patrons through exciting lottery products in China's lottery industry.*

# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **Executive Directors**

Sun Ho (*Chairman*)  
Robert Geoffrey Ryan  
Bai Jinmin  
Liang Yu

### **Non-executive Director**

Yang Yang

### **Independent Non-executive Directors**

Kwok Wing Leung Andy  
Wang Ronghua  
Hua Fengmao

## **AUTHORISED REPRESENTATIVES**

Sun Ho  
Mak Tak Ping

## **COMPANY SECRETARY**

Mak Tak Ping

## **QUALIFIED ACCOUNTANT**

Lo Kei Chi

## **COMPLIANCE OFFICER**

Sun Ho

## **AUDIT COMMITTEE**

Kwok Wing Leung Andy (*Chairman*)  
Wang Ronghua  
Hua Fengmao

## **AUDITORS**

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants  
31st Floor, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central, Hong Kong

## CORPORATE INFORMATION

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 3912, 39th Floor, Shell Tower  
Times Square, Causeway Bay  
Hong Kong

Tel: (852) 2506 1668  
Fax: (852) 2506 1228

### WEBSITE

<http://www.agtech.com>

### BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Credit Suisse  
UBS AG

### SHARE REGISTRARS IN BERMUDA

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### SHARE REGISTRARS IN HONG KONG

Tricor Abacus Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Wanchai, Hong Kong

### STOCK CODE

8279





# HEALTH

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*We liaise closely with regulatory authorities and qualified research organisations to do our best in assisting the government to develop a healthy lottery industry and evaluate new forms of legal and regulated lottery avenues to combat the substantial illegal gambling market in China.*



# DEFINITIONS

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

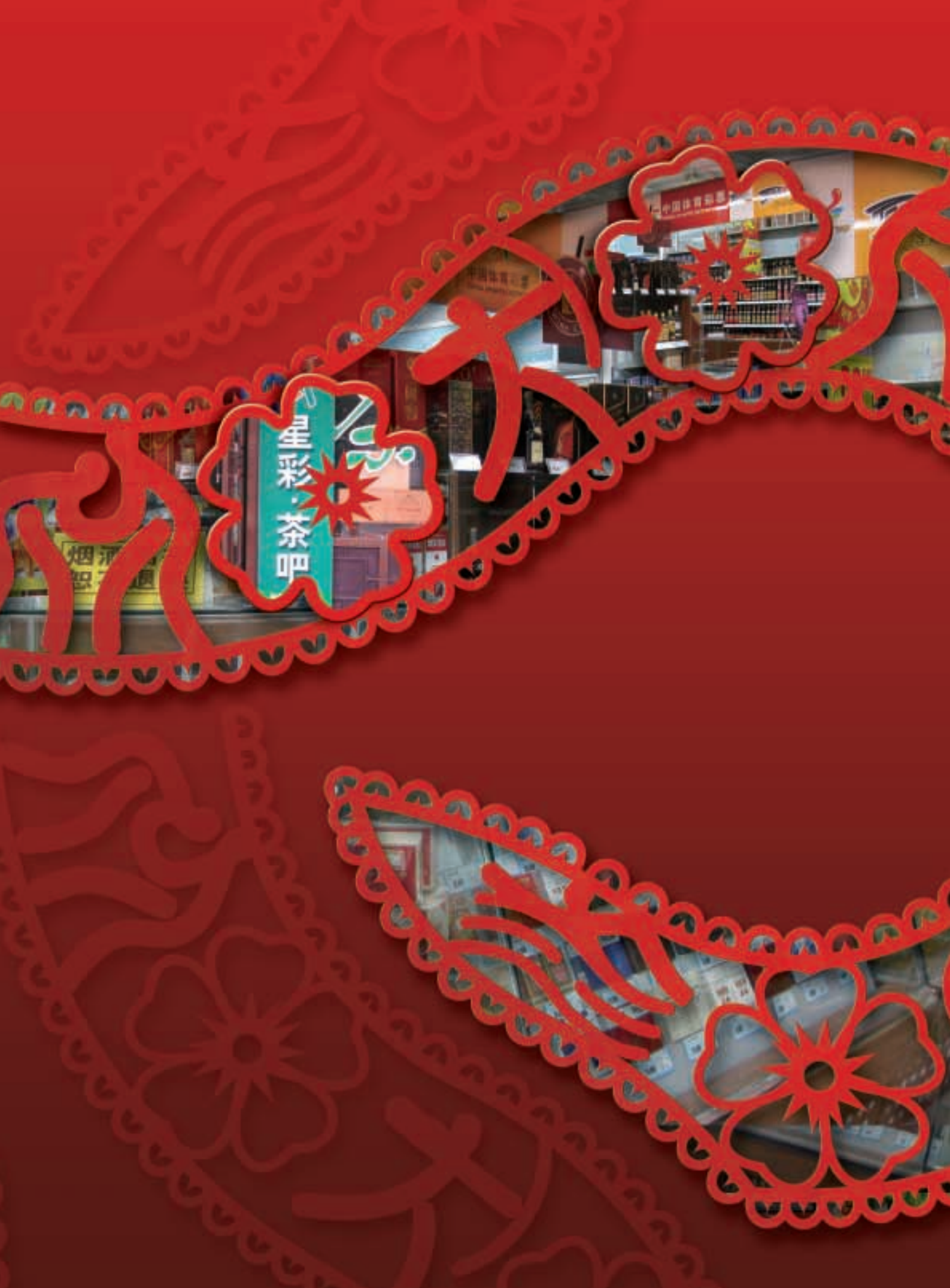
“Board”	means the board of Directors
“China Coop”	means All-China Federation of Supply and Marketing Cooperatives
“Company” or “AGTech”	means AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on GEM
“Director(s)”	means the director(s) of the Company
“GEM”	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Macao”	means the Macao Special Administrative Region of the PRC
“PRC” or “China”	means the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macao and Taiwan
“province(s)”	means province(s), municipality(ies), special administrative region(s) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly

## DEFINITIONS

“Share Option Scheme”	means the share option scheme of the Company adopted on 18 November 2004
“Share(s)”	means ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of the Share(s)
“SLAC(s)”	means sports lottery administration centre(s)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

### Notes:

1. In this report, the exchange rate of HK\$1.133 to RMB1.00 has been used for reference only.
2. The English translations of the Chinese company names in this report are included for reference only and should not be regarded as the official English translations of such Chinese company names.
3. In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.



中国体育用品

星彩·茶吧

烟酒

# HAPPINESS

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*We believe that lotteries have become an increasingly popular form of entertainment for the Chinese citizens, and we feel privileged that our business is founded on a mission to give people a happy life and an exciting pastime.*



# CORPORATE PROFILE

AGTech is an established player in the provision of products and services for the rapidly expanding China lottery market.

## **OUR TARGET MARKET IS THE CHINA SPORTS LOTTERY**

We provide a fully integrated range of products and services, including:

- Lottery retail chain or shops management and marketing consultancy
- Marketing consultancy for sports lottery computer ticket games and instant tickets
- Lottery games and systems
- Lottery sales terminals

AGTech holds an expanding portfolio of long-term recurring revenue contracts in many key provinces in China and we are primed to expand our operations nationwide.

## CORPORATE PROFILE

### I. INTRODUCTION AND MARKET OPPORTUNITY

#### THE MARKET

China has been operating government run and regulated lotteries for over 20 years.

In the past 10 years, the China lottery market has grown at an astonishing rate from approximately US\$753 million in 1997 to approximately US\$15 billion in 2007.

**Rapid market growth**

It is anticipated on run rate that the China lottery market will be one of the world's largest by 2010.

Growth is being underpinned by strong government support, new products, the expansion of retailer networks and China's economic boom.

**Government support**

Rapid market growth is driving the need for China's government lottery operators to look to commercial lottery companies for advanced products, services and assistance in the expansion and management of China's lottery retail sector.

As China's economy experiences a continuous upswing in growth, a corresponding demand for recreational activities also grows, enabled by an increase in the average consumer income. This has created a major interest in the country's sports lotteries.

AGTech is primarily focused on being a lottery solutions provider for China's sports lottery sector.

#### POSITIONING

Our seasoned management team has assembled distinguished standard of domestic and international lottery operations and lottery technology expertise.

**Seasoned professional team**

We have established a strong market position in reliable and sustainable elements of the market such as lottery software, hardware and professional services.

**Reliable sectors**

We are currently providing the sports lottery with professional services and products in the following areas:

**Established business**

- Lottery retail chain or shops management and marketing consultancy;
- Marketing consultancy for sports lottery computer ticket games and instant tickets;

## CORPORATE PROFILE

- Lottery games and systems; and
- Lottery sales terminals.

Our value proposition is to help the provincial sports lottery administration centres and authorised lottery operators manage and drive lottery sales through marketing and promotional initiatives as well as the development of new and expanded commercial lottery distribution channels.

### **Expanding nationwide**

We are currently in full operation in multiple provinces and we are primed to go nationwide via our success in entering into exclusive nationwide management consultancy agreement to advise one of China's largest fast moving consumer goods retail chains on its initiative to launch lottery sales through its vast sales network across the country.



## CORPORATE PROFILE

### II. BUSINESS ENVIRONMENT

#### INDUSTRY STRUCTURE

China has two national lotteries, one being the welfare lottery (established in 1987) and the other being the sports lottery (established in 1995). Both lotteries are operated by their relevant national ministries (namely, Ministry of Civil Affairs and General Administration of Sports respectively) and, in turn, both are regulated by the Ministry of Finance.

Each lottery is administered nationally and each province also has its own provincial lottery issuing or administration centres.

#### LOTTERY RETAIL SECTOR

China's lotteries have grown significantly year on year in terms of sales. However, this growth is not attributable to any significant surge in the number of retail outlets.

Sales growth has been more a factor of increasing leisure spend, improved prize limits, more products and a consistent market push by lottery issuing or administration centres.

With approximately 170,000 points of sale in operation in China, the market remains significantly underpenetrated and hence, the opportunity for commercial retail operators to help grow the retail network.

Currently most retail outlets are operated by sole traders. Recently, as is evident by the retail sales contracts of our customers with the provincial sports lottery administration centres, the government is highly supportive of qualified commercial retail operators entering the market.

Under a single umbrella, our Group is able to provide uniform branding, marketing and management consultancy services to extensive networks of lottery sales outlets.

#### BUSINESS MODEL

Our business model is based on long-term recurring revenue contracts (remunerated by way of percentage of lottery sales turnover) whereby our Shareholders benefit from being directly linked to the growth of China's lottery market.

Our Group has become the leading fully integrated solutions provider to China's sports lottery market. We have the resources and facilities to offer a wide range of aligned products and services from retail chain or shops management and marketing consultancy, marketing consultancy for sports lottery computer ticket games and instant tickets, through to new lottery games, systems and sales terminals.

**With combined lottery sales now exceeding RMB466 billion for the period from 1987 to 2007, there is an increasing attention and reliance on lottery funds to support sports and welfare programmes throughout China.**

## CORPORATE PROFILE

### III. FULLY INTEGRATED PRODUCTS AND SERVICES

#### (A) MANAGEMENT AND MARKETING CONSULTANCY

We provide full-time lottery marketing and technical professionals to work with provincial sports lottery administration centres and authorised lottery operators to help them in the planning and execution of lottery related matters.

The objective of these services is to assist the sports lottery industry in driving sales and improving operational efficiency by providing access to the latest planning and operational techniques, systems and processes.

In return for these services, we receive a fixed percentage of lottery sales derived through our efforts within the provinces.

We automatically benefit from the lotteries natural growth as well as the boost in lottery sales due to the marketing and promotional activities implemented by our customers based on our advice.

Our field consultants are fully supported by our extensive pool of lottery professionals in our Beijing lottery operations centre.

Our skill base covers all aspects of lottery operations with the majority of our professionals having wide experience in both domestic and international lottery operations.

#### **Our services relate to:**

- lottery shop/sales venue selection
- promotions planning
- marketing
- market research
- game analysis
- player trend analysis
- equipment selection
- sales venue fit-out/design
- branding design and advice
- proposal building
- incentive schemes/plans
- responsible lottery advice
- advertising and media advice
- technology reviews/plans
- website consulting
- training and education
- management reviews

## CORPORATE PROFILE

We have proven the benefits of these services by building a track record of success over time and intend to extend this services model to more provinces in the near future.

### **Lottery shops management consultancy**

We have advised our customers on their rollout of sports lottery shops in numerous provinces and they have been expanding rapidly with large established networks of shops now. We intend to continue to advise our customers to expand their sales networks in more provinces throughout China.

Retailer commission on sales represents the highest percentage of sales income available from the lottery structure. Our strategy is to assist our customers to occupy retail space ahead of new products entering the sports lottery market, such as instant tickets and high frequency lottery games.



### **Retail chain management and marketing consultancy**

#### *(i) China Coop*

We were extremely pleased to have announced our exclusive contract as management consultant to advise one of China's (and the world's) largest retailers, the All-China Federation of Supply and Marketing Cooperatives (also referred to as the "China Coop" hereinafter), on its initiative to launch lottery sales through its vast sales network across the country.

China Coop has some 400,000 sales outlets throughout China (primarily supermarkets and mini-market stores).

We are assisting China Coop in the planning and preparation of utilising their network, staff and facilities to sell sports lottery and welfare lottery products.

## CORPORATE PROFILE

This is a significant opportunity and one that will ensure our powerful nationwide presence in the retail chain management consultancy arena.



(ii) *Suguo Supermarket*

We have also been appointed as the marketing consultant to our customer which is authorised by the sports lottery administration centre of Jiangsu province in China to sell sports lottery instant tickets through sales outlets of 蘇果超市有限公司 (Suguo Supermarket Co., Ltd) in Jiangsu.

According to the website of Suguo Supermarket Co., Ltd, up to 2007, it has around 1,758 sales outlets (including supermarkets and convenience stores) in the provinces of Jiangsu, Anhui, Henan, Hebei, Hubei and Shandong. Suguo Supermarket Co., Ltd has over 50% of the market share in Nanjing (the capital city of Jiangsu) and is the largest supermarket chain in Jiangsu province.

Leading retailers have the critical mass of regular consumers who are at the same time the target lottery buyers for our customers. By assisting our customers to develop new lottery sales channels through these well-established retail chain networks, we believe it is the way forward and the most cost-efficient model to further propel the growth of lottery sales in China in years to come.



## CORPORATE PROFILE

### **Marketing consultancy for sports lottery computer ticket games and instant tickets**

Yet another arm of our retail marketing strategy is road-show sales and promotions of lottery conducted by our customers.

We have advised our customers in various provinces on their promotion and sale of sports lottery computer ticket games and instant tickets "on the road" via a fleet of special promotional trucks, leveraging the Chinese love for arts and live performances.

The promotional trucks and professional entertainment teams travel to various parts of major cities and put on a lottery spectacular. The promotional trucks open out to reveal a stage and performers who put on a well designed and entertaining show.

In many respects, this is a return to the days before the computer ticket shops that we see today, when it was common to hear the drums and fireworks and entertainers promoting lottery.

Certainly, the results speak for themselves as sales at these events have resulted in large turnover and excellent publicity. The events are advertised and then covered by the local newspapers and media.

The promotions mainly target sales of the recently introduced sports lottery instant tickets as the instant nature of this product can be promoted to fever pitch.

Under our advice, our customers also conduct static promotions by establishing lottery sales stalls at major public events, sports events, etc. These activities are also proving to be very popular and attract a lot of attention and participation.

For China, this is an excellent way to promote and sell the lottery in a high yield low cost of sale method that suits the nature of the Chinese lottery patrons.

We look forward to our customers rolling out this innovative sales model in more provinces throughout China.



## CORPORATE PROFILE

### **New revenue driver for our marketing consultancy services: sports lottery instant tickets**

Sports lottery instant tickets (“Instants”) in China are now back on sale and are being rolled out nationwide to a very enthusiastic response.

Instants were suspended for a period following a ruling that the distribution and management of instants should be computerised and electronic bar code security be introduced.

Now that Instants have the latest world class security features, they are back in a big way.

Our Group has firmly entered the Instants market in China by:

- securing management and marketing consultancy agreements with our customer which is authorised to sell Instants in Jiangxi and Gansu provinces;
- securing our first Instants marketing consultancy agreements directly with provincial sports lottery administration centres in Anhui and Hunan provinces, whereby we provide marketing and promotion consultancy services to them;
- securing management consultancy agreement with our customer which is authorised to sell Instants in Anhui province via mobile sales teams, trucks and promotional booths; and
- advising our customers to utilise the vast retail chain network of China Coop across the country and of Suguo Supermarket in Jiangsu province to pioneer a new sales channel for China’s lotteries.

## CORPORATE PROFILE

Our remuneration under the aforesaid agreements is based on fixed percentages of the relevant Instants sales contemplated thereunder.

Sales of Instants are anticipated to be a big boost to the sports lottery retail market.

Instants have been reintroduced with higher price points than previously distributed. Only the RMB2 ticket was distributed previously. RMB3 and RMB5 price points Instants have now been launched and are proving to be the best sellers.

Sales of the sports lotteries Olympic themed Instants have been very successful.

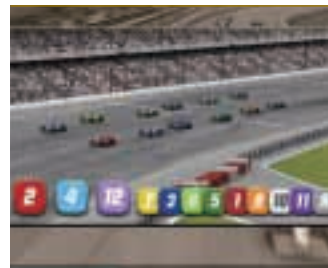
With continuous new theme development, higher value tickets, improved prizes and player win ratio, Instants is believed to continue to be a vital part of retail sales and the growth of China's lotteries.



### (B) LOTTERY GAMES AND SYSTEMS

Our joint venture with Ladbroke Group (a subsidiary of the reputable United Kingdom gaming company, Ladbrokes PLC) has developed an exciting and new form of high frequency game called Electronic Motor Racing ("EMR").

The EMR game is based on a central system managing video displays in venues. The display runs a motor race every several minutes and players can forecast the winner, second, third or combinations. Complete with Chinese commentary, this game is an exciting new concept in China proposed for adoption in the sports lottery market.



## CORPORATE PROFILE

### (C) LOTTERY SALES TERMINALS

Our wholly-owned subsidiary in China, Beijing Systek Science & Technology Development Co., Ltd. (“Beijing Systek”), is our development arm that we use for research, development and deployment of new systems, games, equipment and new distribution media.



Beijing Systek comprises a team of information technology and lottery technology professionals, some of whom have had over 10 years of experience in China's sports lottery business and have participated in the design, development, technical implementation and maintenance of China's computerised sports lottery system.

Beijing Systek has been involved with the development of breakthrough technology such as our hand-held mobile lottery sales terminal.

New technology is vital for the growth and distribution of the sports lottery, especially technology that can help reduce capital and operational expense whilst reaching untapped player populations.

Our hand-held terminal operates on commonly available communications platforms such as General Packet Radio Service (GPRS) and can therefore extend the reach of sales agents. The device can be operated by retail sales staff of our customers and taken to wherever potential players congregate such as sporting events, train stations and more.

Beijing Systek is also developing our own new lottery games and concepts with a view to proposing to sports lottery officials in China. Moreover, Beijing Systek evaluates lottery game, system and equipment products that could potentially be introduced to China's sports lottery market from international lottery and equipment companies.

Apart from the aforesaid hand-held mobile lottery sales terminal and in cooperation with other manufacturers in China, we have also secured agreements with provincial sports lottery administration centres to supply conventional sports lottery sales terminals in the provinces of Hunan and Gansu.



## CORPORATE PROFILE

### IV. CORPORATE VALUES AND SOCIAL RESPONSIBILITY

#### SOLID MANAGEMENT TEAM

With over 30 years of experience in total, our management team possesses a deep understanding of both international and domestic lottery, wagering and gaming markets.

#### CORE CORPORATE VALUES

AGTech has five core corporate values: FORTUNE, HEALTH, HAPPINESS, LUCK and RESPONSIBILITY. These values make up the colour scheme of our logo:



#### CORPORATE CITIZENSHIP

Whilst benefiting from China's lottery market expansion, we shall keep mindful of and actively strive for the development of a healthy, stable and responsible lottery industry in China.

As a long-term player in the market, AGTech shall continue to closely liaise with regulatory authorities and qualified research organisations to do our best in assisting the government evaluate new forms of legal and regulated avenues to combat the substantial illegal gambling market and thus raise important funds for sports and welfare projects.

## CORPORATE PROFILE

### **CORPORATE SPONSORSHIP AND COMMUNITY DEVELOPMENT**

We shall continue to play our part in assisting in the development of sports and culture in China to the best of our ability.

To this end, we have been proactive in sponsoring:

- Olympic Photography Competition;
- Shanghai youth girls soccer team; and
- Anhui Huangshan Martial Arts Competition.



As we grow even further, we shall continue to be involved in the development of sports and culture within China.

## CORPORATE PROFILE

### V. FOOTPRINTS OF OUR BUSINESS

As of the date of this report, the footprints of our Group's lottery business cover the municipality of Chongqing and the provinces of Hunan, Jiangxi, Anhui, Gansu, Liaoning and Jiangsu in China (collectively referred to as the "Territories"). The population of the Territories in aggregate amounted to approximately 340.3 million for 2006, representing approximately 25.9% of the total population in China\*.

In addition, out of the seven Territories in which the Group has developed its lottery business, two of them (namely, Jiangsu and Liaoning) were ranked the first and the fifth in terms of their respective total annual sports lottery sales among all the provinces in China for 2007\*\*. Total annual sports lottery sales for 2007 for Jiangsu and Liaoning stood at approximately RMB4.3 billion (or approximately HK\$4.9 billion) and approximately RMB2.0 billion (or approximately HK\$2.3 billion) respectively, representing approximately 11.3% and approximately 5.2% of the total annual sports lottery sales of approximately RMB38.5 billion (or approximately HK\$43.6 billion) for 2007 for the whole country.

\* source: website of CHINA POPIN (中國人口信息網)

\*\* source: 中國體育報 (China Sports Daily) dated 2 January 2008



# LUCK

*Lottery wins are perceived as a token of “luck” by Chinese people and it is one of our core corporate values to bring such luck to the lottery patrons through our products.*





# CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 30 June 2008.

Over the past financial year, we have significantly strengthened our presence in the PRC by applying our expertise in lottery software, hardware and professional services to the best effect. We have been able to successfully tap into a lottery market that is continuing to expand rapidly, spurred in part by the PRC government's resolve to stamp out illegal gambling activities within the country. With China's robust economic health helping to enhance the well-being of the general public, still larger segments of the population are expected to take part in the country's sports lotteries – an area that we are primarily focused on and excel in.

We have been very successful in capturing fresh opportunities thanks to our inherent capabilities in the fields of lottery retail management consultancy, sales and marketing knowhow for retail chains and shops and our technical competence in the provision of lottery systems, games and sales terminals. Most notably, we have successfully established ties with one of China's largest consumer goods retail chains, China Coop (details of which are contained in the sub-section headed "Retail chain management and marketing consultancy" of the Corporate Profile section in this report). Possessing some 400,000 sales outlets across the country – primarily supermarkets and mini-market stores – China Coop will seek our advice on the sale of both sports and welfare lottery products across its extensive network. Securing this significant management consultancy agreement with China Coop will allow us to maintain a prominent position in the lottery retail chain management consultancy arena.



## CHAIRMAN'S STATEMENT

In addition to realising the aforesaid opportunity, 2008 also saw the Group enter into China's sports lottery instant tickets ("Instants") market. Having previously been suspended, Instants are again on sale in the country's sports lottery market and have received a highly favourable public response. Thus far, we have secured management and marketing consultancy agreements with provincial SLACs and operators that sell Instants in the provinces of Jiangsu, Hunan, Jiangxi, Anhui and Gansu.

Constantly seeking to break new ground, and thereby create fresh opportunities for the Group, our wholly-owned subsidiary, Beijing Systek Science & Technology Development Co., Ltd. ("Beijing Systek"), has been involved in developing innovative technologies including a handheld mobile lottery sales terminal. The significance of this terminal is its ability to reduce capital and operational expenses while reaching untapped player populations. Beijing Systek is also involved in evaluating game, system and equipment products from international companies, determining their suitability for the PRC's sports lottery market. Apart from the development of new lottery games and technologies, the Group has also secured agreements with provincial SLACs to supply conventional sports lottery sales terminals in Hunan and Gansu.

While making progress on the business front, we are also committed to advancing AGTech on a societal level. Abiding by our core corporate values of enriching society through 'Fortune', 'Health', 'Happiness', 'Luck', and 'Responsibility', we will continue to develop games that provide responsible lottery entertainment, and will seek to instil a similar mindset in China's lottery industry so that the industry can develop in a healthy manner. As a further means of strengthening our relationship with society, we will continue to assist the Chinese government in appraising new forms of games as well as methods for combating illegal gambling activities so that greater revenue can be generated and subsequently used in sports and welfare related initiatives.

On behalf of the Board, I would like to take this opportunity to extend my gratitude to our customers, suppliers, shareholders and business partners for their continuous support. I would further wish to offer praise to the management team and staff for their tireless efforts.

**Sun Ho**  
*Chairman*

Hong Kong, 23 September 2008

# RESPONSIBILITY

*We strive to actively contribute to the development of a responsible lottery industry in China which shall raise important funds for charity, sports and welfare development projects. We also actively participate in charity events and sponsorships for sports events.*







作品展览颁奖仪式

杯  
展颁奖仪式

亚博  
获奖

展

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

The Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code in different respects, including but not limited to:

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors at all times;
- the proper procedures for appointment and re-election of Directors;
- the establishment of an audit committee to review the financial reporting and internal controls of the Group;
- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters for Directors and senior management of the Group;
- the establishment of a nomination committee to formulate nomination policy and make recommendations to the Board on any proposed appointment of Directors and to assess the independence of the independent non-executive Directors on a regular basis;
- the provision of briefing on the relevant requirements of the GEM Listing Rules and the Securities and Futures Ordinance to all newly appointed Directors;
- the timely supply of sufficient information to Directors for matters seeking their approval or opinions;

## CORPORATE GOVERNANCE REPORT

- the timely publications of announcements, annual, interim and quarterly results and reports to keep the Shareholders posted of the latest business developments and financial performance of the Group; and
- the holding of an annual general meeting each year to meet with the Shareholders and answer their enquiries.

During the year ended 30 June 2008, the Company complied with the Code, except (as similarly disclosed on page 7 of the Company's annual report for the year ended 30 June 2007) that:

- under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company were performed by the executive Director, Mr. Sun Ho, during the year. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement; and
- under the code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the year under review.

## CORPORATE GOVERNANCE REPORT

### THE BOARD

Being the highest decision-making body of the Company, the Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, material acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

During the year ended 30 June 2008, the members of the Board comprised:

Executive Directors:	Mr. Sun Ho ( <i>Chairman</i> ) Mr. Robert Geoffrey Ryan Mr. Bai Jinmin (appointed with effect from 19 September 2007) Mr. Liang Yu (appointed with effect from 23 April 2008) Mr. Kot Wai Ming (resigned with effect from 9 July 2007)
Non-executive Director:	Ms. Yang Yang (appointed with effect from 3 December 2007)
Independent non-executive Directors:	Mr. Kwok Wing Leung Andy Mr. Wang Ronghua Mr. Hua Fengmao

To the best of the knowledge of the Directors, there are no financial, business, family or other material relationships among the members of the Board except that the former Director, Mr. Kot Wai Ming, is the brother-in-law of Mr. Sun Ho. During the year under review, there were three independent non-executive Directors (representing not less than one-third of the total number of Directors) at all times and at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

## CORPORATE GOVERNANCE REPORT

The Board meets at least four times a year to review the financial and operating performance of the Group. The Directors participated in person or through other electronic means of communication. At least 14 days' notice of all regular Board meetings is given to all Directors while reasonable notice is generally given for other Board meetings. All Directors were given an opportunity to include matters in the agenda for discussion. The company secretary assists the chairman in the preparation of the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed. The company secretary records the proceedings of each Board meeting in detail by keeping detailed minutes. Drafts of board minutes are circulated to all Directors for comments and approval as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

Nine Board meetings were held during the year ended 30 June 2008. The attendance record of each Director is as follows:

Mr. Sun Ho	9/9
Mr. Robert Geoffrey Ryan	3/9
Mr. Bai Jinmin	4/9
Mr. Liang Yu*	1/9
Mr. Kot Wai Ming**	0/9
Ms. Yang Yang***	1/9
Mr. Kwok Wing Leung Andy	7/9
Mr. Wang Ronghua	9/9
Mr. Hua Fengmao	6/9

\* Mr. Liang Yu was appointed as executive Director on 23 April 2008 and only one Board meeting was held after 23 April 2008 until 30 June 2008.

\*\* Mr. Kot Wai Ming resigned as executive Director with effect from 9 July 2007.

\*\*\* Ms. Yang Yang was appointed as non-executive Director on 3 December 2007 and seven Board meetings were held after 3 December 2007 until 30 June 2008.

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year ended 30 June 2008, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year ended 30 June 2008, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on page 62.

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2008, the roles of chairman and chief executive officer of the Company were performed by the same individual: namely, the executive Director, Mr. Sun Ho. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

### NON-EXECUTIVE DIRECTORS

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of such independent non-executive Directors are independent. Each of such independent non-executive Directors was appointed by way of a director's service agreement for a term of two years commencing from 19 July 2006. Following the expiry of the aforesaid service agreements on 18 July 2008, the appointment of each of such independent non-executive Directors was renewed under a new service agreement for a term of two years commencing from 19 July 2008. The appointments of the aforesaid independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its bye-laws and shall be terminated by either party to such agreement giving the other party not less than one month's written notice.

### REMUNERATION OF DIRECTORS

The remuneration committee was established on 24 June 2005. During the year under review, Mr. Kot Wai Ming resigned as member of the remuneration committee with effect from 9 July 2007. Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao remained as members of the remuneration committee throughout the year under review. The current chairman of the remuneration committee is Mr. Kwok Wing Leung Andy. Except for the former executive Director, Mr. Kot Wai Ming, all other members of the remuneration committee were independent non-executive Directors.

The remuneration committee is responsible for formulating and recommending to the Board the emolument policy, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's Share Option Scheme, bonus structure, provident fund and other compensation-related issues. The committee consults with the chairman/chief executive officer on its proposal and recommendations, and also has access to professional advice if deemed necessary by the committee. The committee is also provided with other resources enabling it to discharge its duties.

## CORPORATE GOVERNANCE REPORT

The emolument policy of the employees of the Group is formulated by the remuneration committee on the basis of their merit, qualifications and competence. As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may also be granted share options by the Company from time to time pursuant to the Share Option Scheme. The emoluments of the Directors are reviewed and approved by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong.

The specific terms of reference of the remuneration committee are posted on the website of the Company and are available to Shareholders upon request.

During the year ended 30 June 2008, two meetings were held by the remuneration committee for the approval of the appointment of Mr. Liang Yu as executive Director and of the grant of share options of the Company to certain employees and consultants of the Group pursuant to the Share Option Scheme. Record of individual attendance is as follows:

Mr. Kwok Wing Leung Andy	1/2
Mr. Wang Ronghua	2/2
Mr. Hua Fengmao	2/2
Mr. Kot Wai Ming*	0/2

\* resigned with effect from 9 July 2007

\*\* The appointments of Mr. Bai Jinmin and Ms. Yang Yang and their respective remunerations were approved by way of written resolutions (instead of meetings of the remuneration committee) by all the members of the remuneration committee during the year ended 30 June 2008.

### NOMINATION OF DIRECTORS

The nomination committee was established on 24 June 2005. During the year under review, Mr. Sun Ho, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the nomination committee. The current chairman of the nomination committee is Mr. Kwok Wing Leung Andy. Except for the executive Director, Mr. Sun Ho, all other members of the nomination committee were independent non-executive Directors.

The nomination committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and Board succession. The committee will also develop selection procedures for nomination of candidates, review the size, structure and composition of the Board, as well as assess the independence of independent non-executive Directors. The committee is provided with sufficient resources enabling it to discharge its duties.

## CORPORATE GOVERNANCE REPORT

Any member of the nomination committee is authorised to identify suitable candidates for the position of Director when there is a vacancy or an additional Director is considered necessary. Once identified, the member of the nomination committee will propose the appointment of such candidates to the nomination committee which will review the qualifications, experience and background of the relevant candidates for determining the suitability to the Group. The candidates approved by the nomination committee will then be proposed to the entire Board for final approval and, where appropriate, for recommendation to the Shareholders for their approval at the general meeting of the Company.

The specific terms of reference of the nomination committee are posted on the website of the Company and are available to Shareholders upon request.

One meeting was held by the nomination committee for the appointment of Mr. Liang Yu as executive Director during the year under review. Record of individual attendance is as follows:

Mr. Kwok Wing Leung Andy	0/1
Mr. Wang Ronghua	1/1
Mr. Hua Fengmao	1/1
Mr. Sun Ho	1/1

\* The appointments of Mr. Bai Jinmin and Ms. Yang Yang were approved by way of written resolutions (instead of meetings of the nomination committee) by all the members of the nomination committee during the year ended 30 June 2008.

### AUDITORS' REMUNERATION

Remuneration to the auditors of the Company, HLB Hodgson Impey Cheng, amounted to HK\$650,000 for the year ended 30 June 2008. The Group also paid HK\$36,200 to HLB Hodgson Impey Cheng for the tax compliance work of the Company and certain subsidiaries for the year of assessment 2007/2008.

### AUDIT COMMITTEE

The Company has established an audit committee with its written terms of reference posted on the website of the Company and available to Shareholders upon request. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, consider the appointment or re-appointment of auditors and provide advice and comments on the Group's draft annual reports and accounts, interim reports and quarterly reports to the Board.

During the year under review, the three independent non-executive Directors, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the audit committee, with Mr. Kwok being appointed as the chairman of such committee.



## CORPORATE GOVERNANCE REPORT

Four meetings were held during the year under review. Record of individual attendance is as follows:

Mr. Kwok Wing Leung Andy	4/4
Mr. Wang Ronghua	4/4
Mr. Hua Fengmao	4/4

The Group's draft unaudited quarterly and interim results, and audited annual results were reviewed by the audit committee during the year ended 30 June 2008, and the committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. Apart from approving the appointment of HLB Hodgson Impey Cheng as the new auditors of the Company, the audit committee also attended a meeting with the former auditors, Deloitte Touche Tohmatsu, to discuss the final results of the Group and audit status. Both the audit committee and the Board recommended and approved the appointment of HLB Hodgson Impey Cheng as the new auditors of the Company for the year ended 30 June 2008.

### INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems to safeguard the assets of the Group and Shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board has delegated to the management the implementation of the internal control systems and reviewing of all relevant financial, operational, compliance controls and risk management functions.

During the year under review, the Group delegated a manager from the head office in Hong Kong and an internal auditor in China to carry out site visits by rotation to different operating subsidiaries of the Company in China to ensure that proper accounting and internal control systems stipulated by the head office were implemented and followed by such subsidiaries.

Training was also provided to newly appointed accounting staff in China to ensure that they were familiar with the accounting and internal control systems of the Group stipulated by the head office in Hong Kong.

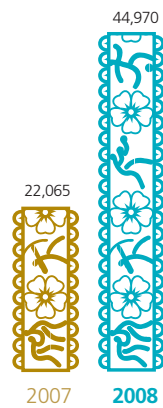
### SHAREHOLDERS RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the Shareholders.

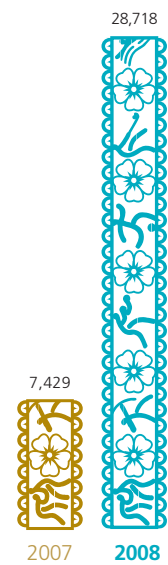
The Board strives to encourage and maintain constant dialogue with the Shareholders through various means. The Directors host the annual general meeting each year to meet with the Shareholders and answer their enquiries. The Company also updates its Shareholders on the Group's latest business developments and financial performance through announcements as well as annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the Shareholders.

# FINANCIAL HIGHLIGHTS

## REVENUE (HK\$'000)



## GROSS PROFIT (HK\$'000)



## TOTAL ASSETS (HK\$'000)



## NET ASSETS (HK\$'000)



# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF BUSINESS ACTIVITIES

The conclusion of the latest financial year has seen the Group further consolidate its position as a fully integrated solutions provider for the sports lottery market in China. During the financial year under review, the Group achieved a turnover of approximately HK\$45.0 million, representing an increase of approximately 103.8% over last year. Approximately 96.0% of such turnover was derived from the provision of sports lottery management and marketing consultancy services and the supply of sports lottery sales terminals (and accessories) in the PRC, two new lines of business that were first entered into by the Group in June 2007 and September 2007 respectively.

Looking to make further progress into the sports lottery market in China, we were able to secure several consultancy agreements in relation to the sale of sports lottery instant tickets (“Instants”). Specifically, we secured various management or marketing consultancy agreements including those with SLACs in the provinces of Anhui and Hunan, along with authorised sports lottery operators in the provinces of Jiangxi, Anhui, and Gansu. Now that the sale of Instants has been reintroduced into the sports lottery market in China since the second quarter of 2008, our customers seek to capitalise on this form of lottery which is believed to have an enormous growth potential. We anticipate that our consultancy related business in respect of Instants will become an important income source for the Group going forward.

Apart from Instants, our retail chain management and marketing consultancy services also achieved significant progress. Specifically, the Group has been appointed as the exclusive management consultant to advise on China Coop's initiative to launch lottery sales through its vast nationwide sales network in China. In addition to assisting China Coop to establish a lottery sales platform for both the PRC welfare and sports lotteries, the 10-year management consultancy agreement, which has a renewal option, also allows us to supply lottery sales terminals, related systems and facilities to China Coop's circa 400,000 sales outlets nationwide. The agreement represents a major milestone for the Group as it provides an opportunity for us to take a significant step into the welfare lottery sector on top of our well-established sports lottery activities.

## MANAGEMENT DISCUSSION AND ANALYSIS

With regard to our management consultancy services, we were able to secure agreements with customers authorised to establish and operate sports lottery sales venues in the provinces of Jiangxi, Hunan, Liaoning, Anhui and Gansu. Further, we secured a contract with a customer that is authorised to provide marketing strategy, and promotional and sales management services to SLACs in Hunan, Jiangxi and Chongqing.

Turning to our sports lottery terminals supply business, we also secured agreements with the SLACs of Hunan and Gansu provinces during the financial year under review.

As of 30 June 2008, our lottery related business encompassed the municipality of Chongqing and the provinces of Hunan, Jiangxi, Anhui, Liaoning, and Gansu (collectively referred to as the "Territories"). These six Territories together accounted for a total population of approximately 265 million, or over 20% of the total population of China, for 2006\*.

\* source: website of CHINA POPIN (中國人口信息網)

### PROSPECTS

With public excitement surrounding the 2008 Olympic Games now at fever pitch, the PRC government will continue to be highly motivated to support legal lotteries in an effort to thwart illegal gambling – before, during and following the global spectacle – setting an environment that is conducive to the Group's growth. Whilst we have made significant headway in terms of expanding our presence in the PRC over the past financial year, we are eager to intensify this growth momentum as the sports lottery sector will undoubtedly grow in parallel with the ongoing expansion of the country's economy.



## MANAGEMENT DISCUSSION AND ANALYSIS

Given our success in securing an exclusive management consultancy agreement in respect of China Coop, we will also be looking to build on this success with further and similarly extensive consultancy contracts. Already, we have been appointed as the marketing consultant to a customer which is authorised by the Jiangsu SLAC to sell Instants via the largest supermarket chain in the province, Suguo Supermarket Co., Ltd. We will continue this approach of leveraging highly matured retail chain networks as we firmly believe that this is the most rapid and effective means of developing lottery sales channels by our customers in China. We consider that Jiangsu is a very important territory to develop our business in as it was ranked first among all of the provinces in China in terms of total annual sports lottery sales for 2007\*\*. Total annual sports lottery sales for 2007 for Jiangsu stood at approximately RMB4.3 billion (or approximately HK\$4.9 billion), representing approximately 11.3% of the total annual sports lottery sales for 2007 for the whole country.

Whilst seeking to rapidly penetrate the PRC sports lottery segment, it will also be paramount for the Group to continue building ties with key business partners. Hence, we will continue to examine fresh opportunities to cultivate business alliances as this will translate into the strengthening of our presence in China – essential for our growth and our ability to deliver fair returns to our Shareholders.

\*\* source: *China Sports Daily* (中國體育報) dated 2 January 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATING RESULTS

#### Turnover and profitability

Turnover of the Group for the financial year under review amounted to approximately HK\$45.0 million, representing a surge of approximately 103.8% over last year. The increase in turnover of the Group during the financial year under review was mainly attributable to the contributions of its new sports lottery related business. Indeed, approximately 96.0% of the Group's turnover for the financial year under review was derived from the provision of its sports lottery management and marketing consultancy services and the supply of sports lottery sales terminals (and accessories) in the PRC, two new lines of business that were first entered into by the Group in June 2007 and September 2007 respectively. The revenue from these two new lines of business is based on fixed percentages of sports lottery turnover, and they yielded much higher margins than the enterprise solutions projects secured by the Group during the prior year. During the financial year under review, the gross profit percentage stood at approximately 63.9%, a substantial improvement over last year's gross profit percentage of approximately 33.7%.

The net loss of the Group attributable to equity holders of the Company for the financial year under review amounted to approximately HK\$128.5 million, whereas that of last year amounted to approximately HK\$60.5 million. The increase in the net loss of the Group was primarily attributable to (i) the share-based payment expense (totalling approximately HK\$86.3 million for the financial year under review) resulting from the adoption of Hong Kong Financial Reporting Standard 2 "Share-based Payment" for share options of the Company granted to Directors, employees of the Group and other eligible participants under the Share Option Scheme; (ii) the amortisation of other intangible assets (amounting to approximately HK\$39.8 million for the financial year under review) which arose from the Group's acquisitions of SYSTEK LTD and SHINING CHINA INC (both being wholly-owned subsidiaries of the Company) during the financial year ended 30 June 2007; and (iii) the increase in administrative expenses such as staff costs, leases, travelling expenses and marketing expenses as a result of the continuous expansion of the Group's business.

#### Capital resources and liquidity

Net cash and bank balances as at 30 June 2008 were approximately HK\$212.9 million. The total assets and net current assets of the Group as at 30 June 2008 were approximately HK\$1,152.1 million and approximately HK\$251.2 million respectively.

During the year, the Group maintained a debt-free capital structure. The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the Share Option Scheme.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital commitments

	2008	2007
	HK\$	HK\$
Contracted but not provided for:		
Acquisition of equipment	6,578,514	–

### Charges on Group's assets

As at 30 June 2008, there was no charge on the assets of the Group.

### Foreign exchange exposure

As at 30 June 2008, the Group held cash and bank deposits denominated in Hong Kong Dollars, Renminbi, and Macao Patacas. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in Hong Kong Dollars and Renminbi, which is not freely convertible into foreign currencies, and Macao Patacas, which is considered as a stable currency under the control of the Government of Macao, the Group faced minimal exchange rate risk during the year.

### Contingent liabilities

As at 30 June 2008, there were no material contingent liabilities of the Group.

### Employees' information

As at 30 June 2008, the Group had 209 (2007: 75) employees in Hong Kong, Macao and the PRC. Total staff costs (excluding Directors' emoluments and share-based payments) for the year ended 30 June 2008 amounted to approximately HK\$13.5 million.

The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, Share Option Scheme, contributory provident fund, social security fund, medical benefits and training.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### **Mr. Sun Ho – Executive Director and Chairman**

Mr. Sun Ho, aged 39, is the executive Director and chairman of the Company as well as authorised representative, compliance officer and member of the nomination committee of the Company.

Mr. Sun has extensive experience in the financial management of enterprises. He holds a bachelor degree in Economics from the University of Sydney in Australia and a master degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Sun is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. As a part-time researcher of the China Center for Lottery Studies, Peking University, Mr. Sun has undertaken and completed a number of significant research studies regarding the development and future prospects of the Asia Pacific's gaming markets. Mr. Sun has always dedicated himself to the development of China's lottery markets.

Mr. Sun was previously the CEO of China LotSynergy Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange, an executive director of Burwill Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and had worked for KPMG, an international accounting firm, where he was involved in the auditing and due diligence activities for clients.

### **Mr. Robert Geoffrey Ryan – Executive Director**

Mr. Robert Geoffrey Ryan, aged 50, is the head of gaming and executive Director of the Company. He is also a director of Asia Gaming Technologies Limited, an indirect 51%-owned subsidiary of the Company, and its wholly-owned subsidiary, 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd) and Maxprofit Management Limited, an indirect wholly-owned subsidiary of the Company.

Mr. Ryan brings to the Company over 16 years of experience in senior roles within the international gaming and wagering industry. Mr. Ryan has accumulated a broad range of operational, business development and implementation expertise across industry sectors including sports betting operations, on-line lottery operations, pari-mutuel and fixed odds wagering, electronic gaming machine (EGM) and video lottery terminal (VLT) operations, casino operations and gaming systems implementation/integration. Through his tenure with Australia's leading gaming companies, Tabcorp Holdings Limited (Australia's largest gaming and wagering company), Jupiters Limited (casinos and hospitality) and AWA Limited (gaming systems), Mr. Ryan has developed and/or managed gaming operations within Asia and the Asia Pacific region including India, Malaysia, Philippines, Vietnam and Thailand. Most recently in his capacity as Regional Manager, Mr. Ryan was instrumental over a 3-year campaign to have Tabcorp systems, lottery game designs and operations approved in China at the central government level. Mr. Ryan shall provide advice and assistance to the Group with respect to gaming operations design and implementation, business development and gaming business review.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Mr. Bai Jinmin – Executive Director

Mr. Bai Jinmin, aged 42, is the executive Director of the Company. He is also a director of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), 廣東亞博星彩信息技術有限公司 (Guangdong AGTech Lottery Information Technology Co., Ltd.), 北京思德泰科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.) and 遼寧世紀星彩企業管理有限公司 (China Lottery Management (Liaoning) Co., Ltd.), being indirect wholly-owned subsidiaries of the Company, responsible for their business development, strategic planning and supervision of their operations.

Mr. Bai has over 14 years of experience in business development, investment, corporate management and strategic planning. Prior to joining the Group, Mr. Bai was the director of Louis DreFus Energy (SPEC) Pte Ltd., managing director of SPEC Overseas (Holdings) Pte Ltd., vice president of Shenzhen Petrochemical Industry (Holdings) Co., Ltd., chairman of Shenzhen GETOS Fine Silicons Co., Ltd., director of Sinoying Logistics Pte Ltd. and executive director of STAR Pharmaceutical Limited, the issued shares of which are listed on Singapore Exchange Limited.

Mr. Bai holds a bachelor degree in Engineering from 杭州電子工業學院 (the Electronics Institute of Hangzhou), the PRC (now known as Hangzhou Dianzi University (杭州電子科技大學)) and a master degree in Business Administration from the National University of Singapore.

### Mr. Liang Yu – Executive Director

Mr. Liang Yu, aged 35, is the executive Director of the Company and the director of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.) and 廣東亞博星彩信息技術有限公司 (Guangdong AGTech Lottery Information Technology Co., Ltd.), being indirect wholly-owned subsidiaries of the Company.

Mr. Liang has approximately 12 years of law practice experience. Before joining the Group, Mr. Liang was a partner with Haiwen & Partners, a law firm in the PRC. He has been advising clients on a variety of legal issues involving foreign direct investment and private equity investment in the PRC as well as other forms of foreign trade and economic cooperation activities. In addition, Mr. Liang has extensive experience in the area of dispute resolution in respect of international commercial transactions.

He received his LL.B degree from the University of International Business & Economics in Beijing, the PRC in 1994 and his LL.M degree from the New York University Law School in New York, the United States of America in 2003.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Ms. Yang Yang – Non-Executive Director**

Ms. Yang Yang, aged 32, is the non-executive Director of the Company.

Ms. Yang was an Olympic short track speed skater and a member of the Chinese national short track team. As one of the world's most powerful short-track speed skaters, Ms. Yang has won a total of 59 world titles and broken world record six times in her career in World Championships and World Cup events. Most notably, her winning of two gold medals in the women's 500 metres and 1,000 metres short tracks at the 2002 Winter Olympics made her the first athlete from the PRC to win a gold medal at the Winter Olympics and the first woman athlete from the PRC to win two short-track individual events at one Olympics. She has dominated short track speed skating for many years and was called the "Queen of Short Track Speed Skating" in the PRC.

Ms. Yang is enthusiastic to participate in volunteer work to contribute to the Olympics and the society. She is currently a delegate of the 11th National People's Congress of the PRC and was elected as a delegate of the 16th National Congress of the Communist Party of China in 2002. In addition, she was a consultant of the Volunteer Department of Beijing Olympic Organisation Committee and an anchor woman of "Olympics in China" in CCTV-4. Ms. Yang has also served on the Chinese Olympic Committee, the Athletes Committee of the International Skating Union (ISU), the Women and Sport Committee of the International Olympic Committee, and the Athletes Committee of the World Anti Doping Agency. In recognition of her important contributions to the society, Ms. Yang was also voted as (i) one of the ten outstanding young persons in the PRC by All-China Youth Federation, China Youth Development Foundation and ten news agencies in 2002, (ii) one of the ten excellent women of China by All-China Women's Federation and eleven news agencies in 2002, (iii) the best female athlete and the most popular female athlete by Chinese Olympic Committee, All-China Sports Federation and CCTV in 2002, and won numerous sports awards from the Chinese National Sports Committee. Ms. Yang holds a bachelor degree in business administration from Tsinghua University.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Mr. Wang Ronghua – Independent Non-executive Director**

Mr. Wang Ronghua, aged 63, is the chief representative of Treasury Holdings China Limited in Beijing. He was appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006.

Mr. Wang graduated from the Beijing Institute of Foreign Trade. Prior to the appointment as independent non-executive Director, Mr. Wang held various positions in the PRC Government. Mr. Wang was the general manager of Beijing Personnel Service Corporation for Diplomatic Missions, the general manager of China Jiaoyuan Corporation for International Economic and Technical Cooperation, the first deputy director general of Beijing Service Bureau for Diplomatic Missions and an ambassador of the PRC to the Republic of Iceland. Thereafter, Mr. Wang joined Shanghai Institute of International Finance as vice president and was the chief operating officer of Shanghai Sinoman Industrial (Group) Ltd.

### **Mr. Hua Fengmao – Independent Non-executive Director**

Mr. Hua Fengmao, aged 40, is the managing director of BOCOM International (Asia) Limited. He was appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006.

Mr. Hua obtained a bachelor degree and a master degree in English Language & Literature from the Shanghai International Studies University, Shanghai, the PRC. Mr. Hua obtained a master degree in Business Administration from the International University of Japan, Niigata, Japan. Prior to joining BOCOM International (Asia) Limited, Mr. Hua held various positions in various investment banks. Mr. Hua was the founding partner and managing director of China Finance Strategies Limited, managing director of investment banking of CLSA Equity Capital Markets Limited, general manager of Cazenova Asia Limited, manager of ICEA Capital Limited and associate investment banking officer of Bank of America NT&SA.

### **Mr. Kwok Wing Leung Andy – Independent Non-executive Director**

Mr. Kwok Wing Leung Andy, aged 34, has over 12 years of local and overseas financial and general management experiences and has experience in the trading business in the PRC. He was appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006.

Mr. Kwok holds a master degree in Business Administration from Tsinghua University, the PRC and a bachelor degree in Economics from the University of Sydney in Australia. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kwok is also the chairman of Nubrand Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

#### Mr. Shen Weihong

Mr. Shen Weihong is the director of SYSTEK LTD, 北京思德泰科科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.), 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), 湖南世紀星彩企業管理有限公司 (China Lottery Management (Hunan) Co., Ltd.), 江西世紀星彩企業管理有限公司 (China Lottery Management (Jiangxi) Co., Ltd.), 安徽世紀星彩企業管理有限公司 (China Lottery Management (Anhui) Co., Ltd.), all being indirect wholly-owned subsidiaries of the Company. He is also the director of Asia Gaming Technologies Limited, an indirect 51%-owned subsidiary of the Company, and its wholly-owned subsidiary 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.), responsible for their business development, strategic planning and supervision of their operations.

Mr. Shen has extensive experience in corporate strategy, business planning, acquisitions and mergers, business development, finance and corporate finance. Prior to joining the Group, Mr. Shen was a senior corporate management consultant and project manager of KPMG Consulting (now known as BearingPoint Consulting Co.), providing advisory services to international financial institutions and multinational companies on corporate strategy, commerce, finance and corporate management. Prior to that, Mr. Shen was the director of the business development division of Theracor Pharmaceuticals Inc., an adviser to China Brilliance Group and a senior researcher and senior business analyst of Biogen Inc.

Mr. Shen holds a bachelor degree in Biotech Engineering from East China University of Science and Technology as well as a master degree in Business Administration from Babson College, Massachusetts, the United States.

#### Mr. Chen Ming Hui

Mr. Chen Ming Hui is the director and business operational officer of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.) and responsible for business development, marketing and sales strategy planning, and supervision of daily operations.

Mr. Chen has over 18 years of experience in China's lottery industry and possesses extensive professional knowledge with respect to the market trend, market demand, sales operation, management consultancy and system technology of the PRC lottery industry. Prior to joining the Group, Mr. Chen was the general manager and CEO of 北京國彩咨詢有限公司 (Beijing Guocai Marketing Co., Ltd.) (now known as 江西國彩營銷策劃有限公司 (Jiangxi Guocai Marketing Co., Ltd.)), general manager and CEO of 北京昌黎華夏葡萄酒有限公司 (Beijing Chang Li Huaxia Wine Co., Ltd.), and head of marketing of 北京太盈科技發展有限公司 (Beijing Tera Science & Technology Development Co., Ltd.).

As a result of Mr. Chen's contribution to the society, Mr. Chen was awarded the 2nd young entrepreneur in Jiangxi province (江西省第二屆優秀青年企業家) and the outstanding young entrepreneur in Jiangxi province (江西省傑出青年企業家). Mr. Chen graduated in management from Jiangxi Economic Management Institute.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Ms. Wei Huanyi**

Ms. Wei Huanyi is the senior manager of the business development division (Greater China) of the Group and responsible for business development, marketing strategy planning, channel expansion and planning, and public relations management.

Ms. Wei has extensive experience in marketing, network and channel building, brand promotion, governmental affairs and public relations, media planning and logistics management. Prior to joining the Group, Ms. Wei served in the Ministry of Commerce of the PRC and certain enterprises directly under its supervision for over 11 years, responsible for the building of the nationwide network for food and commerce systems and the logistics. She also participated in the implementation of the food circulation projects of the World Bank in China and the co-ordination work of the committees of the State Council of China. Ms. Wei was the manager of a TV shopping program on CCTV, deputy general manager of China Television TV shopping Co., Ltd., general manager of Hua Mei Xin Yuan International Advertisement Co., Ltd., secretary general of TV Shopping Association of TV Committee of China Advertising Association, deputy general manager of Zhongshi Group Co., Ltd, responsible for the exploration of the commercial property throughout the country and the management of all kinds of properties.

Ms. Wei holds a bachelor degree in Economics from Beijing Institute of Business. She is an economist, a senior professional manager certified jointly by China General Chamber of Commerce and American International Chamber of Commerce, a member of China Federation of Logistics & Purchasing, and the vice-chairman of the Professional Committee of Media Shopping, China General Chamber of Commerce.

### **Mr. Kwok Kei Wai**

Mr. Kwok Kei Wai is the senior assistant to executive directors of the Group. He joins the Group after working as chief consultant (PRC) of Scientific Games ("SGI"), a major lottery firm based in the United States, laying most of the ground work for SGI's successful involvement within China's lottery market.

Mr. Kwok also brings to the Company over 30 years of gaming experiences at most levels within the industries and with the last 15 years based in the PRC. During his tenure in PRC, Mr. Kwok has served as a marketing director (PRC) of Autotote Corp., managing director and general manager of Guangzhou SuiHua Technique Company (廣州穗華科技), managing director of Guangzhou JianGuoJianCheng Techniques and Consulting Services (廣州建國建成科技諮詢服務有限公司) and an executive director of Shanghai Lottery Information Company (上海申彩科技).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Mr. Wu Jian Min**

Mr. Wu Jian Min is the consultant of the Group and has over 27 years of experience in China's sports and sports lottery fields. Prior to joining the Group, Mr. Wu served for Sports Administration of Hunan Province, Hunan Sports School, and Association of China Sports Lottery Officials, participating in different sports and lottery projects (e.g. issuance of the Asian Game lottery, research on China's soccer lottery, sports education and sports production and lottery games). Mr. Wu holds a bachelor degree in Education from Wuhan Institute of Education (武漢體育學院).

### **Mr. Zhang Chi**

Mr. Zhang Chi is the deputy general manager of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), a wholly-owned subsidiary of the Company, responsible for market development, customer relationship management, games planning and building, and management of the customer service system.

Mr. Zhang has nearly 13 years of experience in China's sports lottery business and has participated in the building, deployment, management and maintenance of China's computerised sports lottery system. He possesses extensive experience in the research and development, design and implementation of the computerised lottery sales system, and is familiar with the development trend, market demand, product design as well as system requirements of China's lottery market. Prior to joining the Group, Mr. Zhang was the marketing director of Beijing Great Wall GOT Information Products Co., Ltd., responsible for market planning, games planning, product promotion, and building and management of the customer service system.

Mr. Zhang graduated from Peking University of Post and Telecommunications, majoring in radio technology.

### **Mr. Xu Zhengning**

Mr. Xu Zhengning is the deputy director of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), a wholly-owned subsidiary of the Company, responsible for product development as well as system research and development, design, building and implementation.

Mr. Xu has nearly 11 years of experience in China's sports lottery business and possesses professional knowledge of the system design, lottery game development, technical implementation, maintenance and support of the computerised sports lottery system. Prior to joining the Group, Mr. Xu was a system engineer and project manager of 北京電彩計算機系統有限公司 (Beijing Lottery Computer Systems Co., Ltd) and 中體彩科技發展有限公司 (China Sports Lottery Technology Development Co., Ltd.), respectively.

Mr. Xu graduated from Beijing Institute of Technology, majoring in Computer Applications.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Mr. Alex Kovach**

Mr. Alex Kovach is a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and Asia Gaming Technologies (Beijing) Co., Ltd (亞博泰科科技(北京)有限公司). He has over 3 years of experience in the leisure and gaming industry and is responsible for the business development, strategic planning and management of these subsidiaries. Mr. Kovach is also the Chief Executive Officer – International Development of Ladbrokes PLC. He holds a bachelor degree in Geography from Durham University, the United Kingdom and a master degree in Business Administration from INSEAD, France. He is a member of the Institute of Directors and the Marketing Society in the United Kingdom.

### **Mr. Kevin Hopgood**

Mr. Kevin Hopgood is a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and Asia Gaming Technologies (Beijing) Co., Ltd (亞博泰科科技(北京)有限公司). He has over 34 years of experience in the leisure and gaming industry and is responsible for the business development, strategic planning and management of these subsidiaries. Mr. Hopgood is also the Managing Director – International Development of Ladbrokes Betting & Gaming Ltd. He holds a Diploma in Management Studies (with Distinction) from the University of Portsmouth in the United Kingdom, a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom, and a Master's Degree in Business Administration from the University of Portsmouth. He is a Fellow of the Chartered Management Institute (FCMI) in the United Kingdom, a Member of the Institute of Directors in the United Kingdom and a Member of the Chartered Institute of Marketing (MCIM) in the United Kingdom as well as being a Chartered Institute of Marketing's designated Chartered Marketer.

### **Ms. Mak Tak Ping**

Ms. Mak Tak Ping is the company secretary and authorised representative of the Company. Ms. Mak is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms. Mak was the company secretary of various companies, the issued shares of which are listed on GEM and the Main Board of the Stock Exchange.

### **Ms. Lo Kei Chi**

Ms. Lo Kei Chi is the qualified accountant of the Company. Ms. Lo holds a bachelor degree in Arts from the University of Hong Kong. Ms. Lo is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia and has over 14 years of experience in accounting. Prior to joining the Company, Ms. Lo had worked as finance manager in a multinational company.

# DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2008.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the Company's associate and subsidiaries are set out in notes 18 and 36 respectively to the consolidated financial statements.

## **RESULTS**

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 64.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

## **SHARE CAPITAL**

Details of the Company's share capital are set out in note 28 to the consolidated financial statements.

## **RESERVES**

Details of movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity.

The Company has no reserves available for distribution to Shareholders at both balance sheet dates.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## DIRECTORS' REPORT

### FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the past 5 financial years from the year ended 30 June 2004 is set out on page 116.

### DIRECTORS

The Directors during the year and up to the date of this report were:

#### Executive Directors:

Mr. Sun Ho	(appointed on 19 July 2006)
Mr. Robert Geoffrey Ryan	(appointed on 21 May 2007)
Mr. Kot Wai Ming	(appointed on 19 July 2006 and resigned on 9 July 2007)
Mr. Bai Jinmin	(appointed on 19 September 2007)
Mr. Liang Yu	(appointed on 23 April 2008)

#### Non-executive Director:

Ms. Yang Yang	(appointed on 3 December 2007)
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#### Independent non-executive Directors:

Mr. Wang Ronghua	(appointed on 19 July 2006)
Mr. Hua Fengmao	(appointed on 19 July 2006)
Mr. Kwok Wing Leung Andy	(appointed on 19 July 2006)

In accordance with Bye-laws 86 and 87 of the Company, certain remaining Directors (namely, Mr. Liang Yu, Ms. Yang Yang, Mr. Wang Ronghua, Mr. Hua Fengmao and Mr. Kwok Wing Leung Andy) will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE AGREEMENTS

Mr. Sun Ho was appointed as executive Director under a service agreement with no fixed term of service commencing from 19 July 2006. The service agreement shall continue thereafter until terminated by either party thereto giving the other party at least one month's notice in writing.

Mr. Robert Geoffrey Ryan and Mr. Bai Jinmin were appointed as executive Directors under service agreements for a term of twenty-four months commencing from 21 May 2007 and 19 September 2007 respectively. The service agreements shall continue thereafter until terminated by either party thereto giving the other party at least three months' notice in writing.

## DIRECTORS' REPORT

Mr. Liang Yu was appointed as executive Director and a director of one of the Company's subsidiaries, 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), in the PRC, each under a service agreement for a term of twenty-four months commencing from 23 April 2008, unless such agreements are terminated by either party thereto giving the other party not less than three months' notice and one month's notice in writing respectively.

Ms. Yang Yang was appointed as non-executive Director under a service agreement for a term of twenty-four months commencing from 3 December 2007, unless such agreement is terminated by either party thereto giving the other party not less than one month's notice in writing.

Each of Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua, and Mr. Hua Fengmao was appointed as independent non-executive Director under a service agreement for a term of twenty-four months commencing from 19 July 2006. Following the expiry of the aforesaid service agreements on 18 July 2008, the appointment of each of Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua, and Mr. Hua Fengmao was renewed under a new service agreement for a term of twenty-four months commencing from 19 July 2008, unless such new service agreement is terminated by either party thereto giving the other party not less than one month's notice in writing.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' REPORT

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

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

#### a. Interests in ordinary Shares:

Name of Director	Number of Shares			Approximate percentage held
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	26,750,000	2,006,250,000 (Note 1)	2,033,000,000	56.79%
Mr. Bai Jinmin	–	237,580,000 (Note 2)	237,580,000	6.64%
Ms. Yang Yang	400,000	–	400,000	0.01%
Mr. Wang Ronghua	1,975,000	–	1,975,000	0.06%
Mr. Hua Fengmao	1,355,000	–	1,355,000	0.04%
Mr. Kwok Wing Leung Andy	1,515,000	–	1,515,000	0.04%

Notes:

- These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, an executive Director and chairman of the Company, Mr. Sun was deemed to be interested in such Shares.
- These 237,580,000 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

## DIRECTORS' REPORT

**b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):**

Name of Director	Date of grant	Exercise price per Share (HK\$)	Number of underlying Shares entitled (in respect of share options of the Company)				As at 30 June 2008
			Exercisable period	As at 1 July 2007	Granted during the year	Exercised during the year	
Mr. Robert Geoffrey Ryan	22-3-2007	1.40	22-3-2008 – 21-3-2012	26,750,000	-	-	26,750,000* (representing approximately 0.75% of the issued share capital of the Company)
Mr. Bai Jinmin	15-6-2007	1.77	15-6-2008 – 14-6-2012	26,750,000	-	-	26,750,000* (representing approximately 0.75% of the issued share capital of the Company)

\* A portion of the option representing 25% of the total underlying Shares entitled under such option shall be vested in the grantee of the option in each of the 4 years during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him, such portion of the option will lapse.

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## DIRECTORS' REPORT

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO:

#### Interests in the Shares:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
MAXPROFIT GLOBAL INC	Beneficial owner (Note 1)	2,006,250,000	56.04%
HB Resources Investment Limited	Interests in controlled corporation (Note 2)	237,580,000	6.64%
Legg Mason Inc	Investment manager	225,292,000	6.29%

Notes:

- As disclosed above, Mr. Sun Ho was deemed to be interested in those 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.
- As disclosed above, Mr. Bai Jinmin was deemed to be interested in those 237,580,000 Shares by virtue of his interest in HB Resources Investment Limited.

Save as disclosed above, as at 30 June 2008, the Directors or chief executive of the Company were not aware of any other substantial Shareholder (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

## DIRECTORS' REPORT

### INTERESTS OF OTHER PERSONS

As at 30 June 2008, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

### MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than Mr. Sun Ho and Mr. Bai Jinmin as disclosed above, there was no other person during the year who was directly or indirectly interested in 5% or more of the Shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of the Shares, representing not less than 25% of the total issued Shares as required under the GEM Listing Rules.

### SHARE OPTIONS

Particulars of the Company's Share Option Scheme and details of movements in the share options under such scheme during the year are set out in note 33 to the consolidated financial statements.

### MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year attributable to the Group's major customers were as follows:

– the largest customer	77%
– five largest customers combined	89%

The percentage of purchases for the year attributable to the Group's five largest suppliers combined was less than 30%.

At no time during the year did the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

### INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholder of the Company had an interest in a business, which competes or may compete with the business of the Group.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## DIRECTORS' REPORT

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the consolidated financial statements.

### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

### EMOLUMENT POLICY

The emolument policy of the employees of the Group is formulated by the remuneration committee on the basis of their merit, qualifications and competence. As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may also be granted share options by the Company from time to time pursuant to the Share Option Scheme.

The emoluments of the Directors are reviewed and approved by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong.

### AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated results of the Group for the year ended 30 June 2008 have been reviewed and commented on by the audit committee.

### PROPOSED CHANGE OF AUDITORS

On 10 June 2008, the Board announced that Deloitte Touche Tohmatsu ("Deloitte") has resigned as auditors of the Group with effect from 6 June 2008. The Board has appointed HLB Hodgson Impey Cheng as the new auditors of the Group to fill the casual vacancy following the resignation of Deloitte, subject to and upon the approval of Shareholders at the forthcoming annual general meeting of the Company ("AGM").

A circular containing, among other things, details of the proposed change of auditors and a notice convening the AGM will be despatched to Shareholders shortly.

A resolution will be submitted to the AGM to appoint HLB Hodgson Impey Cheng as the new auditors of the Company.

On behalf of the Board

**Sun Ho**  
*Chairman*

23 September 2008

## INDEPENDENT AUDITORS' REPORT



國衛會計師事務所  
Hodgson Impey Cheng

Chartered Accountants  
Certified Public Accountants

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

### TO THE SHAREHOLDERS OF AGTECH HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 115, which comprise the consolidated balance sheet as at 30 June 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.



## INDEPENDENT AUDITORS' REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **HLB Hodgson Impey Cheng**

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 23 September 2008

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 HK\$	2007 HK\$
Revenue	7	<b>44,970,170</b>	22,064,522
Cost of sales and services		<b>(16,251,973)</b>	(14,635,949)
Gross profit		<b>28,718,197</b>	7,428,573
Bank interest income		<b>6,841,715</b>	1,549,042
Other income		<b>3,972</b>	449,493
Selling and administrative expenses		<b>(43,142,044)</b>	(22,954,772)
Loss from business operations		<b>(7,578,160)</b>	(13,527,664)
Share-based payments		<b>(86,253,452)</b>	(46,218,764)
Net foreign exchange loss		<b>(4,542,351)</b>	(92,549)
Amortisation of other intangible assets	17	<b>(39,840,490)</b>	(1,426,178)
Loss before taxation		<b>(138,214,453)</b>	(61,265,155)
Taxation	9	<b>8,601,004</b>	470,639
Loss for the year	10	<b>(129,613,449)</b>	(60,794,516)
Attributable to:			
Equity holders of the Company		<b>(128,536,053)</b>	(60,451,402)
Minority interests		<b>(1,077,396)</b>	(343,114)
		<b>(129,613,449)</b>	(60,794,516)
Loss per Share			
Basic and diluted	13	<b>HK3.59 cents</b>	HK2.06 cents

## CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 HK\$	2007 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>17,544,830</b>	7,580,157
Goodwill	15	<b>664,123,438</b>	600,504,274
Other intangible assets	17	<b>158,859,834</b>	176,576,811
Investment in an associate	18	–	–
Deposit paid for proposed investment in an associate	19	–	3,089,400
Deposits and prepayments	23	<b>54,738,384</b>	–
		<b>895,266,486</b>	787,750,642
<b>Current assets</b>			
Inventories	20	<b>247,714</b>	726,115
Trade receivables	21	<b>11,423,291</b>	1,121,228
Amounts due from customers for contract work	22	<b>2,568,135</b>	3,136,883
Other receivables, deposits and prepayments	23	<b>29,196,116</b>	3,654,246
Current tax recoverable		<b>410,039</b>	–
Pledged bank deposits	24	<b>1,287,182</b>	2,419,782
Bank balances and cash	24	<b>211,656,479</b>	313,217,110
		<b>256,788,956</b>	324,275,364
<b>Current liabilities</b>			
Trade payables	25	<b>2,875,120</b>	4,043,388
Other payables, accruals and deposits received	26	<b>2,736,277</b>	3,434,098
Current tax liabilities		–	152,000
Bank overdrafts		–	72,183
		<b>5,611,397</b>	7,701,669
<b>Net current assets</b>		<b>251,177,559</b>	316,573,695
<b>Total assets less current liabilities</b>		<b>1,146,444,045</b>	1,104,324,337
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	<b>38,810,384</b>	44,030,109
<b>Net assets</b>		<b>1,107,633,661</b>	1,060,294,228
<b>Capital and reserves</b>			
Share capital	28	<b>7,160,170</b>	7,157,670
Reserves		<b>1,096,350,958</b>	1,048,036,472
<b>Equity attributable to equity holders of the Company</b>		<b>1,103,511,128</b>	1,055,194,142
Minority interests		<b>4,122,533</b>	5,100,086
<b>Total equity</b>		<b>1,107,633,661</b>	1,060,294,228

The consolidated financial statements were approved and authorised for issue by the Board on 23 September 2008 and were signed on its behalf by:

**Sun Ho**  
Director

**Robert Geoffrey Ryan**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the Company								Minority interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Statutory reserve HK\$ (Note (a))	Exchange reserve HK\$	Contributed surplus HK\$ (Note (b))	Accumulated losses HK\$	Total HK\$		
At 1 July 2006	5,350,000	20,576,560	-	292,038	(22,887)	11,108,399	(32,304,734)	4,999,376	-	4,999,376
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	192,919	-	-	192,919	-	192,919
Loss for the year	-	-	-	-	-	-	(60,451,402)	(60,451,402)	(343,114)	(60,794,516)
Total recognised income and expense for the year	-	-	-	-	192,919	-	(60,451,402)	(60,258,483)	(343,114)	(60,601,597)
Recognitions of equity-settled share-based payments	-	-	46,218,764	-	-	-	-	46,218,764	-	46,218,764
Shares issued on exercise of share options	232,550	9,370,994	(2,889,644)	-	-	-	-	6,713,900	-	6,713,900
Shares issued as consideration for acquisition of a subsidiary (Note 29)	475,160	420,041,440	-	-	-	-	-	420,516,600	-	420,516,600
Private placement of new shares	1,099,960	654,479,440	-	-	-	-	-	655,579,400	-	655,579,400
Share issue expenses	-	(18,575,415)	-	-	-	-	-	(18,575,415)	-	(18,575,415)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	543,200	543,200
Capital injected by minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	4,900,000	4,900,000
Transfer of share premium (Note (c))	-	(87,785,920)	-	-	-	47,191,476	40,594,444	-	-	-
At 30 June 2007	7,157,670	998,107,099	43,329,120	292,038	170,032	58,299,875	(52,161,692)	1,055,194,142	5,100,086	1,060,294,228
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	90,327,087	-	-	90,327,087	99,843	90,426,930
Loss for the year	-	-	-	-	-	-	(128,536,053)	(128,536,053)	(1,077,396)	(129,613,449)
Total recognised income and expense for the year	-	-	-	-	90,327,087	-	(128,536,053)	(38,208,966)	(977,553)	(39,186,519)
Recognitions of equity-settled share-based payments	-	-	86,253,452	-	-	-	-	86,253,452	-	86,253,452
Shares issued on exercise of a share option	2,500	411,500	(141,500)	-	-	-	-	272,500	-	272,500
Lapse of an option granted to minority shareholder of a subsidiary	-	-	(23,247,000)	-	-	-	23,247,000	-	-	-
Transfer from accumulated losses	-	-	-	18,719	-	-	(18,719)	-	-	-
At 30 June 2008	7,160,170	998,518,599	106,194,072	310,757	90,497,119	58,299,875	(157,469,464)	1,103,511,128	4,122,533	1,107,633,661

## Notes:

- (a) In accordance with statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained profits to statutory reserve. The statutory reserve is not distributable.
- (b) The contributed surplus of the Group represents (1) the difference between (a) the nominal value of the share capital and the existing balances on the share premium account of a subsidiary acquired pursuant to the Group reorganisation prior to the listing of the Company's shares; and (b) the nominal value of the shares issued by the Company and the release and waiver of the amount owed by the then holding company of the subsidiary to the Company in exchange thereof; (2) the release and waiver of the amount owed by the Company to its former immediate holding company; and (3) transfer from share premium account.
- (c) Pursuant to a special resolution passed by the Shareholders at a special general meeting of the Company on 27 February 2007, the share premium account of the Company as of 31 January 2007 was reduced by HK\$87,785,920 and such amount was transferred to the contributed surplus account and accumulated losses account of the Company amounting to HK\$47,191,476 and HK\$40,594,444 respectively.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	Note	2008 HK\$	2007 HK\$
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		<b>(138,214,453)</b>	(61,265,155)
Adjustments for:			
Share-based payments		<b>86,253,452</b>	46,218,764
Depreciation of property, plant and equipment		<b>3,083,266</b>	1,140,453
Amortisation of other intangible assets		<b>39,840,490</b>	1,426,178
Loss on disposal of property, plant and equipment		<b>8,276</b>	503
Impairment losses recognised on trade receivables		<b>532,290</b>	–
Bank interest income		<b>(6,841,715)</b>	(1,549,042)
Operating cash flows before movements in working capital		<b>(15,338,394)</b>	(14,028,299)
Increase in deposits and prepayments		<b>(54,738,384)</b>	–
Decrease in inventories		<b>478,401</b>	740,852
(Increase)/decrease in trade receivables		<b>(10,834,353)</b>	1,635,562
Decrease in amounts due from customers for contract work		<b>568,748</b>	2,376,669
(Increase)/decrease in other receivables, deposits and prepayments		<b>(25,541,870)</b>	2,285,444
Decrease in trade payables		<b>(1,168,268)</b>	(4,133,110)
Decrease in other payables, accruals and deposits received		<b>(697,821)</b>	(3,472,349)
Decrease in amount due to a customer for contract work		–	(659,373)
Decrease in deferred revenue		–	(18,675)
Cash used in operations		<b>(107,271,941)</b>	(15,273,279)
Income taxes paid		<b>(1,802,358)</b>	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(109,074,299)</b>	(15,273,279)
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>6,841,715</b>	1,549,042
Purchase of other intangible assets		<b>(3,618,302)</b>	–
Purchase of property, plant and equipment		<b>(12,657,696)</b>	(5,857,902)
Proceeds from disposal of property, plant and equipment		<b>12,072</b>	11,885
Deposit refunded/(paid) for proposed investment in an associate		<b>3,089,400</b>	(3,089,400)
Decrease/(increase) in pledged bank deposits		<b>1,132,600</b>	(2,419,782)
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	29	–	(317,600,839)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(5,200,211)</b>	(327,406,996)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of Shares		<b>272,500</b>	662,293,300
Capital injected by minority shareholder of a subsidiary		–	4,900,000
Share issue expenses		–	(18,575,415)
<b>NET CASH GENERATED BY FINANCING ACTIVITIES</b>		<b>272,500</b>	648,617,885
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(114,002,010)</b>	305,937,610
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>313,144,927</b>	7,037,538
<b>EFFECT OF EXCHANGE RATE CHANGES</b>		<b>12,513,562</b>	169,779
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>211,656,479</b>	313,144,927
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		<b>211,656,479</b>	313,217,110
Bank overdrafts		–	(72,183)
		<b>211,656,479</b>	313,144,927

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its issued Shares have been listed on GEM.

At 30 June 2008, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in the provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals, provision of sports lottery information technology and payment solutions, software games and system, enterprise solutions of digital image processing system, surveillance system and related maintenance services to outside customers in the PRC and Macao. Details of the principal activities of such principal subsidiaries are set out in Note 36.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company is Renminbi. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (continued)

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

Notes:

1. Effective for annual periods beginning on or after 1 January 2009
2. Effective for annual periods beginning on or after 1 July 2009
3. Effective for annual periods beginning on or after 1 January 2008
4. Effective for annual periods beginning on or after 1 July 2008
5. Effective for annual periods beginning on or after 1 October 2008

The Directors anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### **Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

#### ***Goodwill arising on acquisitions prior to 1 January 2005***

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions before 1 January 2005, the Group has discontinued amortisation from 1 July 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

#### ***Goodwill arising on acquisitions on or after 1 January 2005***

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent years.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results, assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition after reassessment is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from projects involving the provision of sports lottery information technology and payment solutions and enterprise solutions are recognised when the outcome of the contract can be estimated reliably. The details of the revenue recognition are set out in the sub-section of "Construction contracts" as below.

Revenue from sports lottery management and marketing consultancy services rendered is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Revenue from the supply of sports lottery sales terminals is recognised when the sports lottery sales terminals are supplied to the customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

Revenue from the sales of computer software products is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to the customers and title has passed.

Revenue from separately priced product maintenance contracts, which is received or receivable from customers, is deferred and amortised on a straight-line basis over the contracted period.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the installation activity at the balance sheet date, as measured by the surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Construction contracts (continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amount due to a customer for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 July 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

### Retirement benefits costs

Payments to defined contribution retirement plans/Mandatory Provident Fund scheme and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Intangible assets**

##### ***Intangible assets acquired separately***

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

##### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair values at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment below).

##### ***Software licenses***

The expenditure for acquisition of software licenses is measured initially at cost and amortised on a straight-line basis over their estimated useful lives or licensing period, whichever is shorter.

##### ***Impairment***

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses other than goodwill below).

##### ***Research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment losses other than goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Inventories**

Inventories, including any materials for the construction contracts, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### ***Financial assets***

The Group's financial assets comprise those classified as loans and receivables. The accounting policy adopted is set out below.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from customers for contract work, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial instruments** (continued)

##### ***Financial liabilities and equity***

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

##### *Financial liabilities*

Financial liabilities including trade payables, other payables and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity-settled share-based payment transactions

#### *Share options granted to employees, consultants and minority shareholder of a subsidiary*

The fair value of services received from employees and consultants determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). In the absence of specifically identifiable goods or services received (or to be received), the fair value of the unidentifiable goods or services received is measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) and is expensed immediately to the extent the shares options granted are fully vested, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3, management has made the following judgements that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are also discussed below.

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2008, the carrying amount of goodwill is HK\$664,123,438 (2007: HK\$600,504,274). Details of the recoverable amount calculation are disclosed in Note 16.

### Impairment of intangible assets acquired in business combinations

At the balance sheet date, management reconsidered the recoverability of its intangible assets arising from the acquisition of subsidiaries, in which the carrying amount at 30 June 2008 was HK\$155,241,532 (2007: HK\$176,576,811). The business of the related subsidiaries continues to progress in a satisfactory manner. Detailed sensitivity analysis has been carried out by management and no impairment is expected at 30 June 2008. This situation will be closely monitored. Adjustment will be made in future periods if future market activity indicates that adjustments for impairment are appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt.

### 6. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	Notes	2008 HK\$	2007 HK\$
<b>Financial assets</b>			
<b>Loans and receivables</b>			
Deposit paid for proposed investment in an associate	19	–	3,089,400
Trade receivables	21	<b>11,423,291</b>	1,121,228
Amounts due from customers for contract work	22	<b>2,568,135</b>	3,136,883
Financial assets included in other receivables, deposits and prepayments	23	<b>35,348,613</b>	2,634,133
Pledged bank deposits	24	<b>1,287,182</b>	2,419,782
Bank balances and cash	24	<b>211,656,479</b>	313,217,110
		<b>262,283,700</b>	325,618,536
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Trade payables	25	<b>2,875,120</b>	4,043,388
Other payables, accruals and deposits received	26	<b>2,736,277</b>	3,434,098
Bank overdrafts		–	72,183
		<b>5,611,397</b>	7,549,669

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, pledged bank deposits, trade payables and other payables. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risks**

##### *Currency risk*

Transactional currency exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Substantially all of the Group's sales and purchases are denominated in the functional currency of the operating units making the sale, and substantially all of the costs are denominated in the units' functional currency. Accordingly, the Directors consider that the Group is not exposed to significant currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

##### *Interest rate risk*

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

##### *Price risk*

As the Group had no significant investments in financial instruments at fair values, the Group is not exposed to significant price risk.

#### **Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk (continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At the balance sheet date, the Group has certain concentrations of credit risk as 68% (2007: 51%) and 92% (2007: 83%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 21 to the financial statements.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows.

	On demand or within 1 year HK\$	More than 1 year but less than 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<b>At 30 June 2008</b>				
<b>Non-derivative financial liabilities</b>				
Trade payables	2,875,120	–	2,875,120	2,875,120
Other payables, accruals and deposits received	2,736,277	–	2,736,277	2,736,277
<b>At 30 June 2007</b>				
<b>Non-derivative financial liabilities</b>				
Trade payables	4,043,388	–	4,043,388	4,043,388
Other payables, accruals and deposits received	3,434,098	–	3,434,098	3,434,098
Bank overdrafts	72,183	–	72,183	72,183

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 6. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value estimation

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 7. REVENUE

Revenue represents the amounts received and receivable from the provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of sports lottery information technology and payment solutions, enterprise solutions of digital image processing system and surveillance system, sales of computer software products and related maintenance services to outside customers in the PRC and Macao for the year, and is analysed as follows:

	2008 HK\$	2007 HK\$
Revenue in respect of provision of management and marketing consultancy services to the sports lottery administration centres ("SLACs") and the authorised operators of the sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs, for certain municipality and provinces in the PRC	43,163,581	1,045,859
Revenue in respect of provision of sports lottery information technology and payment solutions	–	869,465
Revenue in respect of provision of enterprise solutions of digital image processing system and surveillance system and sales of computer software products and related maintenance services	1,806,589	20,149,198
	<b>44,970,170</b>	<b>22,064,522</b>

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is principally engaged in the following businesses. These businesses are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- Sports lottery management and marketing consultancy services and supply of sports lottery sales terminals – provision of management and marketing consultancy services to the SLACs and authorised operators of sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs, for certain municipality and provinces in the PRC.
- Sports lottery information technology and payment solutions – provision of information technology and payment solutions for use in the sports lottery market in the PRC.
- Enterprise solutions – provision of information technology management solutions which include design and installation of digital image processing system and surveillance system, sales of computer software products and related maintenance services.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 30 June 2008

#### Business segments

	Sports lottery information technology and payment solutions HK\$	Sports lottery management and marketing consultancy services, and supply of sports lottery sales terminals HK\$	Enterprise solutions HK\$	Consolidated HK\$
<b>Income statement</b>				
REVENUE	–	43,163,581	1,806,589	44,970,170
SEGMENT RESULT	(5,212,755)	(28,926,511)	(1,768,470)	(35,907,736)
Unallocated corporate income				6,841,715
Unallocated corporate expenses				(109,148,432)
Loss before taxation				(138,214,453)
Taxation				8,601,004
Loss for the year				(129,613,449)
<b>Balance sheet</b>				
<b>ASSETS</b>				
Segment assets	13,579,558	290,631,393	5,630,492	309,841,443
Goodwill	2,915,507	661,207,931	–	664,123,438
Unallocated corporate assets				178,090,561
Consolidated total assets				1,152,055,442
<b>LIABILITIES</b>				
Segment liabilities	115,492	1,531,328	2,946,396	4,593,216
Unallocated corporate liabilities				39,828,565
Consolidated total liabilities				44,421,781
<b>Other information</b>				
Additions to other intangible assets	1,876,366	1,741,936	–	3,618,302
Additions to property, plant and equipment	90,246	12,391,017	–	12,481,263
Additions to property, plant and equipment (unallocated)				269,154
Amortisation of other intangible assets	1,284,762	38,555,728	–	39,840,490
Depreciation of property, plant and equipment	603,612	1,251,718	376,787	2,232,117
Depreciation of property, plant and equipment (unallocated)				851,149

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 30 June 2007

### Business segments

	Sports lottery information technology and payment solutions HK\$	Sports lottery management consultancy services HK\$	Enterprise solutions HK\$	Consolidated HK\$
<b>Income statement</b>				
REVENUE	869,465	1,045,859	20,149,198	22,064,522
SEGMENT RESULT	(2,814,672)	(297,453)	(1,010,271)	(4,122,396)
Unallocated corporate income				1,549,042
Unallocated corporate expenses				(58,691,801)
Loss before taxation				(61,265,155)
Taxation				470,639
Loss for the year				(60,794,516)
<b>Balance sheet</b>				
<b>ASSETS</b>				
Segment assets	7,843,878	174,691,862	5,658,934	188,194,674
Goodwill	2,636,218	597,868,056	–	600,504,274
Unallocated corporate assets				323,327,058
Consolidated total assets				1,112,026,006
<b>LIABILITIES</b>				
Segment liabilities	87,675	291,861	4,869,014	5,248,550
Unallocated corporate liabilities				46,483,228
Consolidated total liabilities				51,731,778
<b>Other information</b>				
Additions to goodwill arising on acquisition of subsidiaries	2,636,218	597,868,056	–	600,504,274
Additions to other intangible assets arising on acquisition of subsidiaries	5,091,331	172,911,658	–	178,002,989
Additions to property, plant and equipment	1,901,590	–	–	1,901,590
Additions to property, plant and equipment (unallocated)				3,956,312
Property, plant and equipment acquired on acquisition of subsidiaries	381,528	1,429,894	–	1,811,422
Amortisation of other intangible assets	445,852	980,326	–	1,426,178
Depreciation of property, plant and equipment	143,813	16,114	566,887	726,814
Depreciation of property, plant and equipment (unallocated)				413,639

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### *Geographical segments*

The Group's operations, by the geographical location of its customers, are located primarily in the PRC and, to a much lesser extent, Macao. During the year ended 30 June 2008, the Group's sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories) and provision of sports lottery information technology and payment solutions were carried out in the PRC. The Group's enterprise solutions were carried out in Macao and the PRC.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origins of the goods and services:

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
The PRC	<b>44,598,528</b>	2,960,559
Macao	<b>371,642</b>	19,103,963
	<b>44,970,170</b>	22,064,522

The following tables provide analyses of the carrying amount of segment assets, and additions to property, plant and equipment, other intangible assets and goodwill, analysed by the geographical area in which the assets are located:

Additions to property, plant and equipment, other intangible assets and goodwill

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
The PRC	<b>16,099,565</b>	785,884,531
Hong Kong	<b>269,154</b>	292,056
	<b>16,368,719</b>	786,176,587

Carrying amount of segment assets

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
The PRC	<b>966,225,773</b>	783,363,664
Macao	<b>4,797,977</b>	5,335,284
Hong Kong	<b>2,941,131</b>	–
	<b>973,964,881</b>	788,698,948



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 9. TAXATION

	2008 HK\$	2007 HK\$
Current tax		
– PRC Enterprise Income Tax	<b>1,299,052</b>	–
Overprovision of current tax in previous year	<b>(65,464)</b>	–
Deferred tax (Note 27)	<b>(9,834,592)</b>	(470,639)
	<b>(8,601,004)</b>	(470,639)

No provision for Hong Kong profits tax has been made as there were no assessable profits for the years ended 30 June 2007 and 2008.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax either for two years or two years starting from their first profit-making year, followed by a 50% reduction for the next three years. For the year ended 30 June 2008, the PRC subsidiaries are subject to PRC Enterprise Income Tax. For the year ended 30 June 2007, no provision for PRC Enterprise Income Tax was made in the consolidated financial statements as all of the PRC subsidiaries were exempted from PRC Enterprise Income Tax.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2008 HK\$	2007 HK\$
Loss before taxation	<b>(138,214,453)</b>	(61,265,155)
Tax at domestic income tax rate (Note)	<b>(25,161,113)</b>	(11,092,472)
Tax effect of expenses not deductible for tax purpose	<b>23,936,460</b>	8,350,081
Tax effect of income not taxable for tax purpose	<b>(1,047,492)</b>	(274,708)
Utilisation of previously unrecognised tax losses	<b>(1,224,416)</b>	(237,187)
Tax effect of unrecognised estimated tax losses	<b>4,795,613</b>	3,254,286
Over-provision in the previous year	<b>(65,464)</b>	–
Others	<b>(9,834,592)</b>	(470,639)
	<b>(8,601,004)</b>	(470,639)

Note: The applicable tax rates for Macao, the PRC and Hong Kong are 12%, 25%-33% and 16.5% (2007: 12%, 33% and 17.5%) respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2008	2007
	HK\$	HK\$
Auditors' remuneration	<b>650,000</b>	800,000
Cost of inventories recognised as an expense	<b>973,493</b>	12,245,932
Impairment losses recognised on trade receivables (included in selling and administrative expenses)	<b>532,290</b>	–
Write down of inventories (included in cost of sales and services)	<b>490,432</b>	–
Depreciation of property, plant and equipment	<b>3,083,266</b>	1,140,453
Loss on disposal of property, plant and equipment	<b>8,276</b>	503
Operating lease rentals in respect of rented premises	<b>2,783,955</b>	1,516,363
Share-based payment for an option granted to minority shareholder of a subsidiary	–	23,247,000
Government grants in relation to research and development of information and technology work	–	(174,757)
Staff costs, including Directors' remunerations (Note 11):		
Fees, salaries, discretionary bonus and other benefits	<b>20,194,789</b>	10,471,445
Share-based payments	<b>56,748,202</b>	22,971,764
Social security costs	<b>899,877</b>	345,367
Retirement benefits scheme contributions	<b>97,616</b>	70,318
	<b>77,940,484</b>	33,858,894

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

### For the year ended 30 June 2008

	Fees HK\$	Salaries and other benefits HK\$	Share-based payments HK\$	Contributions to retirement benefits scheme HK\$	Total emoluments HK\$
<b>Executive Directors:</b>					
Mr. Sun Ho	3,600,000	300,000	–	12,000	3,912,000
Mr. Robert Geoffrey Ryan	2,093,532	91,307	8,400,738	–	10,585,577
Mr. Bai Jinmin (appointed on 19 September 2007)	940,000	–	13,114,904	–	14,054,904
Mr. Liang Yu (appointed on 23 April 2008)	227,012	–	–	–	227,012
Mr. Kot Wai Ming (resigned on 9 July 2007)	2,903	–	–	145	3,048
<b>Non-executive Director:</b>					
Ms. Yang Yang (appointed on 3 December 2007)	115,568	–	–	–	115,568
<b>Independent non-executive Directors:</b>					
Mr. Wang Ronghua	100,000	–	–	–	100,000
Mr. Hua Fengmao	100,000	–	–	–	100,000
Mr. Kwok Wing Leung Andy	100,000	–	–	–	100,000
<b>Total</b>	<b>7,279,015</b>	<b>391,307</b>	<b>21,515,642</b>	<b>12,145</b>	<b>29,198,109</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 11. DIRECTORS' EMOLUMENTS (continued)

For the year ended 30 June 2007

	Fees HK\$	Salaries and other benefits HK\$	Share-based payments HK\$	Contributions to retirement benefits scheme HK\$	Total emoluments HK\$
<b>Executive Directors:</b>					
Mr. Sun Ho (appointed on 19 July 2006)	397,984	–	599,302	6,210	1,003,496
Mr. Robert Geoffrey Ryan (appointed on 21 May 2007)	–	398,922	–	–	398,922
Mr. Kot Wai Ming (resigned on 9 July 2007)	117,984	–	599,302	6,210	723,496
Mr. José Manuel dos Santos (resigned on 19 July 2006)	5,806	280,000	–	–	285,806
Mr. Mok Chi Va (resigned on 19 July 2006)	5,806	440,485	–	–	446,291
Mr. Kuok Cheong Ian (resigned on 19 July 2006)	5,806	–	–	–	5,806
<b>Non-executive Directors:</b>					
Mr. Yim Hong (resigned on 19 July 2006)	2,903	–	–	–	2,903
Mr. Kuan Kin Man (resigned on 19 July 2006)	2,903	–	–	–	2,903
<b>Independent non-executive Directors:</b>					
Mr. Wang Ronghua (appointed on 19 July 2006)	95,161	–	59,930	–	155,091
Mr. Hua Fengmao (appointed on 19 July 2006)	95,161	–	59,930	–	155,091
Mr. Kwok Wing Leung Andy (appointed on 19 July 2006)	95,161	–	59,930	–	155,091
Mr. Chui Sai Cheong (resigned on 19 July 2006)	5,806	–	–	–	5,806
Mr. Tsui Wai Kwan (resigned on 19 July 2006)	5,806	–	–	–	5,806
Mr. Tam Pak Yip (resigned on 19 July 2006)	5,806	–	–	–	5,806
<b>Total</b>	<b>842,093</b>	<b>1,119,407</b>	<b>1,378,394</b>	<b>12,420</b>	<b>3,352,314</b>

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: four) were Directors whose emoluments are included in Note 11 above. The emoluments of the remaining three (2007: one) highest paid individuals were as follows:

	2008 HK\$	2007 HK\$
Salaries and other benefits	1,127,328	280,322
Discretionary bonus	540,000	500,000
Share-based payments	15,104,840	599,302
Retirement benefits scheme contributions	–	9,839
	<b>16,772,168</b>	<b>1,389,463</b>

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	2	–
HK\$8,500,001 to HK\$9,000,000	1	–
	<b>3</b>	<b>1</b>

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13. LOSS PER SHARE

The calculation of basic/diluted loss per Share is based on the loss attributable to equity holders of the Company for the year of HK\$128,536,053 (2007: HK\$60,451,402) and the weighted average number of 3,579,118,470 Shares (2007: 2,938,298,247 Shares) in issue during the year.

The computation of the diluted loss per Share does not assume the exercise of the Company's share options as their exercise would decrease the loss per Share for both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 14. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$	Sports lottery sales terminals HK\$	Leasehold improve- ments HK\$	Computer equipment HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>COST</b>							
At 1 July 2006	–	–	1,549,650	782,898	263,540	–	2,596,088
Exchange adjustments	–	–	–	25,683	4,896	–	30,579
Acquired on acquisition of subsidiaries	–	–	376,605	590,914	164,295	679,608	1,811,422
Additions	–	–	488,223	1,315,240	541,450	3,512,989	5,857,902
Disposals	–	–	–	(13,995)	–	–	(13,995)
At 30 June 2007	–	–	2,414,478	2,700,740	974,181	4,192,597	10,281,996
Exchange adjustments	–	–	39,900	164,666	22,699	224,260	451,525
Additions	839,962	7,573,685	1,307,901	680,293	896,231	1,452,345	12,750,417
Disposals	–	–	(416,504)	(8,314)	(139,474)	–	(564,292)
At 30 June 2008	839,962	7,573,685	3,345,775	3,537,385	1,753,637	5,869,202	22,919,646
<b>DEPRECIATION</b>							
At 1 July 2006	–	–	887,384	455,508	212,662	–	1,555,554
Exchange adjustments	–	–	21	6,534	420	464	7,439
Provided for the year	–	–	485,629	366,228	174,585	114,011	1,140,453
Eliminated on disposals	–	–	–	(1,607)	–	–	(1,607)
At 30 June 2007	–	–	1,373,034	826,663	387,667	114,475	2,701,839
Exchange adjustments	–	1,510	3,905	21,619	3,203	10,697	40,934
Provided for the year	–	291,472	1,051,127	567,598	318,989	854,080	3,083,266
Eliminated on disposals	–	–	(416,504)	(1,621)	(33,098)	–	(451,223)
At 30 June 2008	–	292,982	2,011,562	1,414,259	676,761	979,252	5,374,816
<b>CARRYING AMOUNTS</b>							
At 30 June 2008	839,962	7,280,703	1,334,213	2,123,126	1,076,876	4,889,950	17,544,830
At 30 June 2007	–	–	1,041,444	1,874,077	586,514	4,078,122	7,580,157

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Building:	5%
Sports lottery sales terminals:	20%
Leasehold improvements:	20% or over the relevant lease terms, whichever is shorter
Computer equipment:	33 1/3% – 50%
Furniture, fixtures and equipment:	20% – 33 1/3%
Motor vehicles:	10% – 20%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 15. GOODWILL

	HK\$
COST	
At 1 July 2006	–
Arising on acquisition of subsidiaries (Note 29)	600,504,274
At 30 June 2007	600,504,274
Exchange adjustments	63,619,164
At 30 June 2008	664,123,438
CARRYING VALUES	
At 30 June 2008	664,123,438
At 30 June 2007	600,504,274

## 16. IMPAIRMENT TESTING ON GOODWILL

As explained in Note 8, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill set out in Note 15 has been allocated to individual cash generating units (CGUs). The carrying amounts of goodwill as at 30 June 2008 allocated to these CGUs are as follows:

	HK\$
Sports lottery information technology and payment solutions	2,915,507
Sports lottery management and marketing consultancy services and supply of sports lottery sales terminals	661,207,931
	664,123,438

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### Sports lottery information technology and payment solutions

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 16% per annum. The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the period. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

### Sports lottery management and marketing consultancy services and supply of sports lottery sales terminals

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 16% per annum. The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the period. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

During the years ended 30 June 2007 and 2008, management of the Group determined that there were no impairments of goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 17. OTHER INTANGIBLE ASSETS

	Capitalised Club membership	Capitalised development costs	Software licenses	Non- competition agreements	Contracted customer	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>COST</b>						
At 1 July 2006	–	–	11,467,290	–	–	11,467,290
Acquired on acquisition of subsidiaries (Note 29)	–	–	–	5,091,331	172,911,658	178,002,989
At 30 June 2007	–	–	11,467,290	5,091,331	172,911,658	189,470,279
Exchange adjustments	–	–	–	543,946	18,318,763	18,862,709
Additions	1,741,936	1,876,366	–	–	–	3,618,302
At 30 June 2008	1,741,936	1,876,366	11,467,290	5,635,277	191,230,421	211,951,290
<b>AMORTISATION AND IMPAIRMENT</b>						
At 1 July 2006	–	–	11,467,290	–	–	11,467,290
Charge for the year	–	–	–	445,852	980,326	1,426,178
At 30 June 2007	–	–	11,467,290	445,852	980,326	12,893,468
Exchange adjustments	–	–	–	53,891	303,607	357,498
Charge for the year	–	–	–	1,284,762	38,555,728	39,840,490
At 30 June 2008	–	–	11,467,290	1,784,505	39,839,661	53,091,456
<b>CARRYING AMOUNTS</b>						
At 30 June 2008	1,741,936	1,876,366	–	3,850,772	151,390,760	158,859,834
At 30 June 2007	–	–	–	4,645,479	171,931,332	176,576,811

The Directors consider that the club membership has indefinite useful life and is worth at least its carrying amount by reference to the latest market prices.

The amount of the capitalised development costs represents the expenditure capitalised for development of certain sports lottery products, which have not yet been put to use.

The amount of the software licenses represents the expenditure for acquisition which is amortised on a straight-line basis over the estimated useful life of 10 years, or the licensing period of 1 year, whichever is shorter.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 17. OTHER INTANGIBLE ASSETS (continued)

The amount of the non-competition agreements represents the fair value of the non-competition clause embedded in the employment contracts between top management and Systek Group (as defined in Note 29) upon the acquisition of Systek Group by the Group. An income approach technique known as the discounted cash flow (“DCF”) method had been used to estimate the fair value of the intangible asset. Using this method, the Company first performed a Business Enterprise Valuation (“BEV”) using the DCF method and estimated the business value of Systek Group without competition. A second BEV was prepared on the premise that the non-competition agreements were not in place. Presumably, in the absence of this clause, the senior management who left would be free to compete and take business away from Systek Group. The value of having the non-competition agreements would be the difference between the two BEVs times the probability, which accounted for the likelihood of competition without the non-competition agreements and the likelihood of the competition successfully making a financial impact on Systek Group. DCF with the cash flow projections of 5 years and a discount rate of 16% had been used. The amount is amortised on a straight-line method over the estimated useful life of 5 years.

The amount of the contracted customer represents the fair value of the contractual right stated in the consultancy agreements with a principal customer (the “Principal Customer”) of Shining China Group (as defined in Note 29) for providing the management consultancy services upon the acquisition of Shining China Group by the Group (the “Contracted Customer”). The Group will charge the consultancy fees to the Principal Customer on certain fixed percentage of the sports lottery sales in the different territories in the PRC as stated in the consultancy agreements. The DCF method, with the cash flow projections covering 4 to 6 years (being the remaining contractual period) and a discount rate of 16%, had been used to estimate the fair value of the intangible asset. The amount is amortised on a straight-line method over the period of 4 to 6 years in accordance with the terms of the management consultancy agreements.

### 18. INVESTMENT IN AN ASSOCIATE

	2008 HK\$	2007 HK\$
Cost of investment in an associate (unlisted)	14,272	14,272
Impairment loss recognised	(14,272)	(14,272)
	–	–

As at 30 June 2008, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activities
CTM-Mega Technology Limited	Incorporated	Macao	49%	Not yet commenced business

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 19. DEPOSIT PAID FOR PROPOSED INVESTMENT IN AN ASSOCIATE

On 20 March 2007, a subsidiary of the Company entered into a formal subscription agreement with independent third parties pursuant to which the subsidiary would subscribe for an approximate 20.69% interest in the registered capital of Shanghai Cardinfo Co., Ltd. (the "Subscription") at an aggregate consideration of RMB60 million. The subsidiary procured the payment of a deposit of RMB3 million (equivalent to HK\$3,089,400) to Shanghai Cardinfo Co., Ltd. during the year ended 30 June 2007. A further deposit of RMB9 million was paid to Shanghai Cardinfo Co., Ltd. during the year ended 30 June 2008. On 28 March 2008, the subsidiary entered into a termination agreement to terminate the Subscription and the aggregate deposits of RMB12 million were refunded by Shanghai Cardinfo Co., Ltd. to the Group during the year ended 30 June 2008.

### 20. INVENTORIES

	2008 HK\$	2007 HK\$
Networking and image processing equipment	247,714	726,115

### 21. TRADE RECEIVABLES

	2008 HK\$	2007 HK\$
Trade receivables	11,955,581	1,121,228
Less: Allowance for doubtful debts	(532,290)	–
	<b>11,423,291</b>	1,121,228

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2008 HK\$	2007 HK\$
0 to 30 days	10,899,713	87,066
31 to 60 days	495,755	34,490
61 to 90 days	27,823	16,718
91 to 120 days	–	14,698
121 to 365 days	–	841,018
Over 365 days	–	127,238
	<b>11,423,291</b>	1,121,228

The credit terms granted to customers vary and are generally the result of negotiations between the individual customers and the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 21. TRADE RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	2008 HK\$	2007 HK\$
0 to 30 days	523,694	34,490
31 to 60 days	27,822	16,718
61 to 90 days	–	14,698
91 to 120 days	–	75,718
121 to 365 days	–	855,451
Over 365 days	–	37,087
	<b>551,516</b>	1,034,162

Movement in the allowance for doubtful debts

	2008 HK\$	2007 HK\$
Balance at beginning of the year	–	–
Impairment losses recognised on receivables	532,290	–
Balance at end of the year	<b>532,290</b>	–

During the year ended 30 June 2008, the Group recognised impairment losses in respect of trade receivables from third party customers amounting to HK\$532,290 (2007: Nil).

The aged analysis of impaired trade receivables is as follows:

	2008 HK\$	2007 HK\$
0 to 30 days	17,100	–
31 to 60 days	–	–
61 to 90 days	4,683	–
91 to 120 days	2,255	–
121 to 365 days	49,167	–
Over 365 days	459,085	–
	<b>532,290</b>	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 22. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 HK\$	2007 HK\$
Contracts in progress at the balance sheet date:		
Contracts costs incurred plus recognised profits less recognised losses	<b>15,198,321</b>	16,399,519
Less: progress billings	<b>(12,630,186)</b>	(13,262,636)
	<b>2,568,135</b>	3,136,883
Represented by:		
Due from customers included in current assets	<b>2,568,135</b>	3,136,883

At the balance sheet date, there were no retentions held by customers for contract work. Advances received from customers for contract work amounted to HK\$50,814 at 30 June 2008 (2007: HK\$50,814).

### 23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008 HK\$	2007 HK\$
Deposits paid to suppliers	<b>12,129,285</b>	163,999
Prepayments	<b>48,585,887</b>	1,020,113
Rental, utility and guarantee deposits	<b>17,960,534</b>	888,316
Other receivables	<b>5,258,794</b>	1,581,818
	<b>83,934,500</b>	3,654,246
Less: Deposits and prepayments classified as non-current assets	<b>(54,738,384)</b>	–
	<b>29,196,116</b>	3,654,246

### 24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at 1.1%-6% per annum (2007: 3%-4.25% per annum) with an original maturity of three months or less.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$1,287,182 (2007: HK\$2,419,782) were pledged during the year ended 30 June 2008 to secure undrawn facilities and are therefore classified as current assets.

At the balance sheet date, the pledged bank deposits and bank balances and cash of approximately HK\$50,583,000 (2007: HK\$13,596,000) were denominated in Renminbi which is not freely convertible into other currencies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 25. TRADE PAYABLES

The aged analysis of the Group's trade payables is as follows:

	2008 HK\$	2007 HK\$
0 to 30 days	539,839	253,051
91 to 120 days	–	39,256
121 to 365 days	291	2,594,866
Over 365 days	2,334,990	1,156,215
	<b>2,875,120</b>	<b>4,043,388</b>

### 26. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2008 HK\$	2007 HK\$
Deposits received from customers for contracts	50,814	50,814
Accrued charges	1,221,219	1,602,272
Other payables	1,464,244	1,781,012
	<b>2,736,277</b>	<b>3,434,098</b>

### 27. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Intangible assets HK\$
At 1 July 2006	–
Acquired on acquisition of subsidiaries (Note 29)	44,500,748
Credit to income statement (Note 9)	(470,639)
At 30 June 2007	44,030,109
Exchange adjustments	4,614,867
Credit to income statement (Note 9)	(9,834,592)
At 30 June 2008	<b>38,810,384</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 27. DEFERRED TAX LIABILITIES (continued)

At the balance sheet date, the Group has estimated unused tax losses of approximately HK\$49,029,000 (2007: HK\$28,052,000) that are available for offsetting against the future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such estimated tax losses due to unpredictability of future profit streams. Included in unrecognised estimated unused tax losses are losses of HK\$7,964,000 (2007: HK\$7,062,000) that will expire within 5 years. Other estimated unused tax losses of HK\$41,065,000 (2007: HK\$20,990,000) may be carried forward indefinitely.

### 28. SHARE CAPITAL

	Number of Shares	Amount (HK\$)
Authorised:		
Ordinary shares of HK\$0.01 each at 1 July 2006	1,000,000,000	10,000,000
Share subdivision (Note (a))	4,000,000,000	–
Ordinary shares of HK\$0.002 each at 30 June 2007 and 2008	5,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 July 2006	535,000,000	5,350,000
Share subdivision (Note (a))	2,229,880,000	–
Exercise of share options (Note (b))	26,395,000	232,550
Issue of Shares as consideration for the acquisition of the entire issued share capital of SHINING CHINA INC (Note (c))	237,580,000	475,160
Issue of Shares due to Shares placing (Note (d))	549,980,000	1,099,960
Ordinary shares of HK\$0.002 each at 30 June 2007	3,578,835,000	7,157,670
Exercise of a share option (Note (e))	1,250,000	2,500
Ordinary shares of HK\$0.002 each at 30 June 2008	3,580,085,000	7,160,170

Notes:

- (a) Pursuant to an ordinary resolution passed on 23 October 2006, the Company's issued and unissued shares of HK\$0.01 each were subdivided into 5 new shares of HK\$0.002 each ("Share Subdivision"). The Share Subdivision took effect on 24 October 2006.
- (b) During the year ended 30 June 2007, options for 22,470,000 shares of HK\$0.01 each, 1,250,000 shares of HK\$0.002 each and 2,675,000 shares of HK\$0.002 each were exercised at the exercise price of HK\$0.28, HK\$0.218 and HK\$0.056 per share respectively, resulting in the issue of 22,470,000 shares of HK\$0.01 each and 3,925,000 shares of HK\$0.002 each.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 28. SHARE CAPITAL (continued)

Notes: (continued)

- (c) As part of the consideration for the acquisition of SHINING CHINA INC, completion of which took place on 15 June 2007, 237,580,000 ordinary shares of the Company with par value of HK\$0.002 each were issued.
- (d) On 14 November 2006 and 11 June 2007, completion took place for private placements to independent private investors of 210,520,000 shares and 339,460,000 shares of HK\$0.002 each in the Company, at subscription price of HK\$0.26 each and HK\$1.77 each respectively.
- (e) During the year ended 30 June 2008, an option for 1,250,000 shares of HK\$0.002 each was exercised at the exercise price of HK\$0.218 per share, resulting in the issue of 1,250,000 shares of HK\$0.002 each.

These shares rank pari passu in all respects with other shares in issue.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 29. ACQUISITIONS OF SUBSIDIARIES

### (i) Acquisition of SYSTEK LTD and its subsidiary ("Systek Group")

On 1 December 2006, the Group acquired the entire equity interests in Systek Group for a consideration of HK\$10,000,000. This acquisition was accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$2,636,218.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 29. ACQUISITIONS OF SUBSIDIARIES (continued)

#### (i) Acquisition of SYSTEK LTD and its subsidiary ("Systek Group") (continued)

The net assets acquired in the transaction, and the goodwill arising were as follows:

	Carrying amounts before combinations HK\$	Fair value adjustments HK\$	Fair value HK\$
NET ASSETS ACQUIRED			
Property, plant and equipment	381,528	–	381,528
Intangible assets	–	5,091,331	5,091,331
Other receivables and prepayments	3,191,208	–	3,191,208
Bank balances and cash	17,696	–	17,696
Other payables and accruals	(45,148)	–	(45,148)
Deferred tax liabilities	–	(1,272,833)	(1,272,833)
	<u>3,545,284</u>	<u>3,818,498</u>	<u>7,363,782</u>
Goodwill on acquisition			<u>2,636,218</u>
			<u>10,000,000</u>
SATISFIED BY			
Cash consideration paid			<u>10,000,000</u>
NET CASH OUTFLOW ARISING ON ACQUISITION			
Cash consideration paid			(10,000,000)
Bank balances and cash acquired			<u>17,696</u>
			<u>(9,982,304)</u>

Systek Group contributed to the Group's revenue of HK\$869,465 and to the Group's result for the year ended 30 June 2007 of HK\$2,368,820 (loss) for the period between the date of acquisition and 30 June 2007. If the acquisition had been completed on 1 July 2006, the Group's total revenue for the year ended 30 June 2007 would have been HK\$22,064,522, and loss for the year ended 30 June 2007 would have been HK\$61,288,887. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is it intended to be a projection of future results.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 29. ACQUISITIONS OF SUBSIDIARIES (continued)

### (ii) Acquisition of SHINING CHINA INC and its subsidiaries ("Shining China Group")

On 15 June 2007, the Group acquired the entire equity interests in Shining China Group for a consideration of HK\$731,596,600. This acquisition was accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$597,868,056.

The net assets acquired in the transaction, and the goodwill arising, were as follows:

	Carrying amounts before combinations HK\$	Fair value adjustments HK\$	Fair value HK\$
NET ASSETS ACQUIRED			
Property, plant and equipment	1,429,894	–	1,429,894
Intangible assets	–	172,911,658	172,911,658
Trade receivables	1,046,821	–	1,046,821
Other receivables, deposits and prepayments	808,112	–	808,112
Bank balances and cash	3,461,465	–	3,461,465
Other payables and accruals	(2,158,291)	–	(2,158,291)
Deferred tax liabilities	–	(43,227,915)	(43,227,915)
	<u>4,588,001</u>	<u>129,683,743</u>	<u>134,271,744</u>
Minority interests			(543,200)
Goodwill on acquisition			<u>597,868,056</u>
			<u>731,596,600</u>
SATISFIED BY			
Cash consideration paid			311,080,000
Fair value of consideration shares issued (Note)			<u>420,516,600</u>
			<u>731,596,600</u>
NET CASH OUTFLOW ARISING ON ACQUISITION			
Cash consideration paid			(311,080,000)
Bank balances and cash acquired			<u>3,461,465</u>
			<u>(307,618,535)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 29. ACQUISITIONS OF SUBSIDIARIES (continued)

#### (ii) Acquisition of SHINING CHINA INC and its subsidiaries ("Shining China Group")

(continued)

Note: As part of the consideration for the acquisition of Shining China Group, 237,580,000 ordinary shares of the Company with par value of HK\$0.002 each were issued as consideration shares. The fair value of such consideration shares, determined using the published market closing price at the date of completion of acquisition on 15 June 2007, amounted to HK\$420,516,600 (equivalent to HK\$1.77 per consideration share). According to the agreement for such acquisition, the price for such consideration shares was agreed at approximately HK\$1.964 each, making the total value of such consideration shares stand at HK\$466,620,000 and the total consideration for the acquisition as per the agreement at HK\$777,700,000 as previously announced by the Company on 16 May 2007.

Shining China Group contributed to the Group's revenue of HK\$1,045,859 and to the Group's result for the year ended 30 June 2007 of HK\$682,873 (profit) for the period between the date of acquisition and 30 June 2007. If the acquisition had been completed on 1 July 2006, the Group's total revenue for the year ended 30 June 2007 would have been HK\$24,358,449, and loss for the year ended 30 June 2007 would have been HK\$57,086,432. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is it intended to be a projection of future results.

### 30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK\$	HK\$
Within one year	<b>4,865,848</b>	2,240,456
In the second to fifth years inclusive	<b>10,096,244</b>	542,416
	<b>14,962,092</b>	2,782,872

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

### 31. CAPITAL COMMITMENTS

	2008	2007
	HK\$	HK\$
Contracted but not provided for:		
Acquisition of equipment	<b>6,578,514</b>	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 32. RETIREMENT BENEFITS SCHEMES

The Group participates in employee social security plans as required by the regulations in the PRC and Macao. The Group also participates in Mandatory Provident Fund schemes which are available to all qualified employees of the Group in Hong Kong. The assets of the retirement benefits schemes are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of social insurance schemes operated by the relevant local government authorities. The pension plans are funded by payments from employees and by the relevant group companies. The amounts charged to the consolidated income statement represent contributions payable by the Group at the rates specified according to the rules of the respective plans. The only obligation of the Group in respect of the retirement benefits schemes is to make the specified contribution.

## 33. SHARE-BASED PAYMENT TRANSACTIONS

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 18 November 2004 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Share Option Scheme), and will be expired 10 years commencing on the adoption of the Share Option Scheme. Under the Share Option Scheme, the Board may at its discretion grant options to eligible employees, including directors of the Company and its subsidiaries, and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Share Option Scheme, shall not exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted under the Share Option Scheme to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue at the date of approval of the Share Option Scheme, without prior approval from the Shareholders.

Options granted to a director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) requires the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of the Shares on the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details and movements of the Company's share options held by the Directors, the eligible employees and consultants of the Group under the Share Option Scheme during the years ended 30 June 2007 and 2008:

Name	Date of grant	Exercise price per share (HK\$)	Exercise period	Outstanding at 1 July 2006	Granted during the year	Adjusted upon the Share Subdivision	Exercised during the year	Reclassified	Outstanding at 30 June 2007	Granted during the year	Exercised during the year	Forfeited during the year	Reclassified	Outstanding at 30 June 2008
<b>Directors:</b>														
Mr. Sun Ho	14 August 2006 (Note 1)	0.28	14 August 2006 – 13 August 2009	-	5,350,000	-	(5,350,000) (Note 2)	-	-	-	-	-	-	-
Mr. Kot Wai Ming	14 August 2006 (Note 1)	0.28	14 August 2006 – 13 August 2009	-	5,350,000	-	(5,350,000) (Note 2)	-	-	-	-	-	-	-
Mr. Wang Ronghua	14 August 2006 (Note 1)	0.28	14 August 2006 – 13 August 2009	-	535,000	-	(535,000) (Note 3)	-	-	-	-	-	-	-
Mr. Hua Fengmao	14 August 2006 (Note 1)	0.28	14 August 2006 – 13 August 2009	-	535,000	-	(535,000) (Note 4)	-	-	-	-	-	-	-
Mr. Kwok Wing Leung Andy	14 August 2006 (Note 1)	0.056 (Note 5)	14 August 2006 – 13 August 2009	-	535,000	2,140,000 (Note 5)	(2,675,000) (Note 5)	-	-	-	-	-	-	-
Mr. Robert Geoffrey Ryan (Note 9)	22 March 2007	1.40	22 March 2008 – 21 March 2009	-	-	-	-	6,687,500 (Note 9)	6,687,500	-	-	-	-	6,687,500
			22 March 2009 – 21 March 2010	-	-	-	-	6,687,500 (Note 9)	6,687,500	-	-	-	-	6,687,500
			22 March 2010 – 21 March 2011	-	-	-	-	6,687,500 (Note 9)	6,687,500	-	-	-	-	6,687,500
			22 March 2011 – 21 March 2012	-	-	-	-	6,687,500 (Note 9)	6,687,500	-	-	-	-	6,687,500
Mr. Bai Jinmin (Note 10)	15 June 2007	1.77	15 June 2008 – 14 June 2009	-	-	-	-	-	-	-	-	-	6,687,500 (Note 10)	6,687,500
			15 June 2009 – 14 June 2010	-	-	-	-	-	-	-	-	-	6,687,500 (Note 10)	6,687,500
			15 June 2010 – 14 June 2011	-	-	-	-	-	-	-	-	-	6,687,500 (Note 10)	6,687,500
			15 June 2011 – 14 June 2012	-	-	-	-	-	-	-	-	-	6,687,500 (Note 10)	6,687,500



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per share (HK\$)	Exercise period	Outstanding at 1 July 2006	Granted during the year	Adjusted upon the Share Subdivision	Exercised during the year	Reclassified	Outstanding at 30 June 2007	Granted during the year	Exercised during the year	Forfeited during the year	Reclassified	Outstanding at 30 June 2008
	29 June 2007	1.76	29 June 2008 – 28 June 2009	-	10,000,000	-	-	-	10,000,000	-	-	(10,000,000)	-	-
			29 June 2009 – 28 June 2010	-	10,000,000	-	-	-	10,000,000	-	-	(10,000,000)	-	-
			29 June 2010 – 28 June 2011	-	10,000,000	-	-	-	10,000,000	-	-	(10,000,000)	-	-
			29 June 2011 – 28 June 2012	-	10,000,000	-	-	-	10,000,000	-	-	(10,000,000)	-	-
	10 July 2007	1.802	10 July 2008 – 9 July 2009	-	-	-	-	-	-	1,250,000	-	(1,250,000)	-	-
			10 July 2009 – 9 July 2010	-	-	-	-	-	-	1,250,000	-	(1,250,000)	-	-
			10 July 2010 – 9 July 2011	-	-	-	-	-	-	1,250,000	-	(1,250,000)	-	-
			10 July 2011 – 9 July 2012	-	-	-	-	-	-	1,250,000	-	(1,250,000)	-	-
	26 February 2008	0.908	26 February 2009 – 25 February 2010	-	-	-	-	-	-	20,750,000	-	-	-	20,750,000
			26 February 2010 – 25 February 2011	-	-	-	-	-	-	20,750,000	-	-	-	20,750,000
			26 February 2011 – 25 February 2012	-	-	-	-	-	-	20,750,000	-	-	-	20,750,000
			26 February 2012 – 25 February 2013	-	-	-	-	-	-	20,750,000	-	-	-	20,750,000
<b>Total</b>				-	314,480,000	6,140,000	(26,395,000)	-	294,225,000	88,000,000	(1,250,000)	(78,750,000)	-	302,225,000
<b>Exercisable at the end of the year</b>									-					54,181,250
<b>Weighted average exercise price</b>					HK\$1.11		HK\$0.06		HK\$1.52	HK\$0.96	HK\$0.218			HK\$1.33

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

- (1) There is no vesting period in relation to options granted to Directors and eligible participants on 14 August 2006.
- (2) The closing price of the shares immediately before the date on which the options were exercised was HK\$0.28.
- (3) The closing price of the shares immediately before the date on which the options were exercised was HK\$1.02.
- (4) The closing price of the shares immediately before the date on which the options were exercised was HK\$1.36.
- (5) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of the Company with effect from 24 October 2006. The exercise price per share was adjusted from HK\$0.28 to HK\$0.056. The closing price of the shares immediately before the date on which the options were exercised was HK\$1.49.
- (6) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.28.
- (7) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of the Company with effect from 24 October 2006. The exercise price per share was adjusted from HK\$1.09 to HK\$0.218. The closing price of the shares immediately before the date on which the options were exercised was HK\$0.355.
- (8) No option was lapsed or cancelled during the year ended 30 June 2007.
- (9) Mr. Robert Geoffrey Ryan was appointed as a Director on 21 May 2007.
- (10) Mr. Bai Jinmin was appointed as a Director on 19 September 2007.
- (11) The closing price of the shares immediately before the date on which the options were exercised was HK\$0.75.

Apart from the options granted under the Share Option Scheme, on 21 March 2007, pursuant to the joint venture shareholder's agreement dated 19 January 2007, Ladbroke Group subscribed at a nominal consideration of HK\$1 for an option to subscribe for up to a maximum of 157,990,000 shares of the Company with par value of HK\$0.002 each at an exercise price of HK\$2.0033 per share (subject to adjustment). The option was exercisable from 21 March 2007 to 20 March 2008. At 30 June 2007, no option was exercised and the option to subscribe for up to a maximum of 157,990,000 shares of the Company with par value of HK\$0.002 each was outstanding. On 21 March 2007, Ladbroke Group became a minority shareholder of a subsidiary of the Company upon the completion of the joint venture shareholder's agreement dated 19 January 2007. At 30 June 2007, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the option granted to Ladbroke Group was 452,215,000, representing approximately 12.6% of the Shares in issue at that date.

The option granted to Ladbroke Group lapsed following the expiry date of the option on 21 March 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The fair values of options granted during the year ended 30 June 2007 were calculated using the binominal model, details of which are as follows:

	Date of grant					
	14 August 2006	27 September 2006	21 March 2007	22 March 2007	15 June 2007	29 June 2007
Number of options granted	23,005,000	1,000,000	157,990,000	179,225,000	71,250,000	40,000,000
Estimated fair values of options granted (HK\$)	2,577,000	566,000	23,247,000	136,954,000	72,667,000	40,431,000
Significant inputs into the model:						
Closing share price at date of grant	HK\$0.28*	HK\$1.09*	HK\$1.3200	HK\$1.40	HK\$1.77	HK\$1.76
Exercise price	HK\$0.28*	HK\$1.09*	HK\$2.0033	HK\$1.40	HK\$1.77	HK\$1.76
Expected volatility	92.1%	85.47%	59.99%	73.16%	79.17%	78.8%
Expected life	3 years	4 years	1 year	2-5 years	2-5 years	2-5 years
Risk-free rate	4.280%	3.771%	3.874%	3.984%	4.706%	4.644%

\* These prices have not been adjusted for the effect of the share subdivision of the Company which took effect on 24 October 2006.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The fair values of options granted during the year ended 30 June 2008 were calculated using the binominal model, details of which are as follows:

	Date of grant	
	10 July 2007	26 February 2008
Number of options granted	5,000,000	83,000,000
Estimated fair values of options granted (HK\$)	5,310,000	42,844,000
Significant inputs into the model:		
Closing share price at date of grant	HK\$1.77	HK\$0.90
Exercise price	HK\$1.802	HK\$0.908
Expected volatility	78.17%–104.53%	94.03%–102.26%
Expected life	2–5 years	2–5 years
Risk-free rate	4.31%–4.66%	1.80%–2.56%

Expected volatility was determined by using the historical volatility of the share price of other companies in the similar industry over the expected life of the options.

The binominal model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

### 34. POST BALANCE SHEET EVENTS

On 11 July 2008, options to subscribe for 78,425,000 Shares at an exercise price of HK\$0.754 per Share were granted under the Share Option Scheme to eligible participants of the Share Option Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 35. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions during the year:

	2008	2007
	HK\$	HK\$
Purchases and provision of maintenance services		
from Mega Datatech Limited ("MDL") (Note (a))	–	2,334,628
Purchases from Vodatel Holdings Limited ("VHL") (Note (b))	–	626,027
Rental expenses payable to Mr. José Manuel dos Santos (Note (c))	–	90,000
Compensation of key management personnel:		
Short-term employee benefits	<b>7,670,322</b>	1,961,500
Share-based payments	<b>21,515,642</b>	1,378,394
Post-employment benefits	<b>12,145</b>	12,420
	<b>29,198,109</b>	3,352,314

Notes:

- (a) During the year ended 30 June 2007, the Group purchased goods from MDL, a wholly-owned subsidiary of Vodatel Networks Holdings Limited ("VNHL") in which Mr. José Manuel dos Santos\* has a beneficial interest. MDL also rendered maintenance services to the Group in respect of the purchases mentioned above.
- (b) During the year ended 30 June 2007, the Group purchased goods from VHL, a wholly-owned subsidiary of VNHL in which Mr. José Manuel dos Santos\* has a beneficial interest.
- (c) During the year ended 30 June 2007, the Company leased an office premises in Hong Kong from Mr. José Manuel dos Santos\* for a monthly rental of HK\$30,000. The tenancy agreement was terminated on 30 September 2006.

\* Mr. José Manuel dos Santos resigned as a Director on 19 July 2006.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 30 June 2008 are set out as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong	PRC	1,000 ordinary shares of HK\$1 each	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK\$5 million	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
Maxprofit Management Limited	Incorporated	Hong Kong	Hong Kong	600,000 ordinary shares of HK\$1 each	100% (indirect)	Provision of management services for the Group
廣州市萬珈訊科技有限公司 (MegalInfo (Guangzhou) Technology Company Limited*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK\$1.6 million	100% (indirect)	Provision of computer software products, computer network system engineering, research and development and selling and providing related services and maintenance
MegalInfo Limited	Incorporated	BVI	Macao	2,000 ordinary shares of US\$1 each	100% (direct)	Investment holding and provision of information technology management solutions of digital image processing
MegalInfo Software Limited	Incorporated	BVI	Macao	1,000 ordinary shares of US\$1 each	100% (indirect)	Owner of intellectual property rights
MegalInfo Solutions Holdings Limited	Incorporated	BVI	PRC	1,000 ordinary shares of US\$1 each	100% (indirect)	Owner of intellectual property rights
珠海萬佳達軟件開發有限公司 (Zhuhai MegaSoft Software Development Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK\$3.2 million	100% (indirect)	Provision of computer software products, computer network system engineering, research and development and selling and providing related services and maintenance

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
北京思德泰科科技发展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK\$21 million	100% (indirect)	Research and development of sports lottery information technology and payment solutions
世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK\$100 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services; and supply of sports lottery sales terminals
湖南世紀星彩企業管理有限公司 (China Lottery Management (Hunan) Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB\$5 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services
江西世紀星彩企業管理有限公司 (China Lottery Management (Jiangxi) Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB\$5 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services
安徽世紀星彩企業管理有限公司 (China Lottery Management (Anhui) Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB\$5 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services
遼寧世紀星彩企業管理有限公司 (China Lottery Management (Liaoning) Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB\$10 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
廣東亞博星彩信息技術有限公司 (Guangdong AGTech Lottery Information Technology Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of RMB\$10 million	100% (indirect)	Design, development, production, integration, sales and maintenance of computer software and hardware; research and sales of automation equipment
SYSTEK LTD	Incorporated	BVI	PRC	1 ordinary share of US\$1 each	100% (indirect)	Investment holding
SHINING CHINA INC	Incorporated	BVI	PRC	50,000 ordinary shares of US\$1 each	100% (indirect)	Investment holding

\* English name is for identification purposes only.

The above table lists the principal subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the balance sheet date.

## 37. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2007: Nil).

## 38. COMPARATIVES

Certain comparatives have been reclassified to conform with the current year's presentation.

## FINANCIAL SUMMARY

### RESULTS

	For the year ended				
	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue	<b>44,970,170</b>	22,064,522	69,404,045	14,289,721	10,465,492
Loss for the year attributable to equity holders of the Company	<b>(128,536,053)</b>	(60,451,402)	(2,802,163)	(22,621,634)	(6,588,899)

### ASSETS AND LIABILITIES

	As at				
	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	<b>1,152,055,442</b>	1,112,026,006	18,708,930	32,053,675	38,333,459
Total liabilities	<b>(44,421,781)</b>	(51,731,778)	(13,709,554)	(24,302,703)	(7,930,377)
	<b>1,107,633,661</b>	1,060,294,228	4,999,376	7,750,972	30,403,082
Equity attributable to equity holders of the Company	<b>1,103,511,128</b>	1,055,194,142	4,999,376	7,750,972	30,403,082
Minority interests	<b>4,122,533</b>	5,100,086	–	–	–
	<b>1,107,633,661</b>	1,060,294,228	4,999,376	7,750,972	30,403,082