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REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and jointly controlled entities (together the “Group”) for the year ended 31 December 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Notes</i>	2011 HK\$’000	2010 HK\$’000
Turnover	3	1,809,127	1,614,328
Cost of sales/services rendered		(667,521)	(671,150)
Other income	3	14,993	22,432
Other gains/(losses), net	3	1,126	(5,526)
Selling and distribution expenses		(78,235)	(73,178)
Administrative expenses		(246,182)	(203,391)
Operating profit		833,308	683,515
Finance costs		(26,524)	(3,384)
Profit before taxation	5	806,784	680,131
Taxation	6	(54,317)	(35,677)
Profit for the year		752,467	644,454

		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		723,452	636,016
Non-controlling interests		29,015	8,438
		<u>752,467</u>	<u>644,454</u>
Earnings per share for profit attributable			
to equity shareholders of the Company			
	<i>8</i>		
– Basic		<u>9.29 cents</u>	<u>8.26 cents</u>
– Diluted		<u>9.29 cents</u>	<u>8.23 cents</u>

Details of dividends paid and proposed for the year are disclosed in note 7 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	752,467	644,454
Other comprehensive income		
Exchange difference arising from translation of financial statements of foreign operations	<u>39,441</u>	<u>16,809</u>
Total comprehensive income for the year	<u>791,908</u>	<u>661,263</u>
Attributable to:		
Equity shareholders of the Company	760,323	651,055
Non-controlling interests	<u>31,585</u>	<u>10,208</u>
	<u>791,908</u>	<u>661,263</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		292,150	236,607
Prepaid lease payments on land use rights		36,751	36,103
Investment property		1,354	1,159
Goodwill		2,428,796	1,702,266
Intangible assets		332,208	103,650
Available-for-sale financial asset		44,000	–
Statutory deposits		838	833
Deferred tax assets		77	46
		<hr/>	<hr/>
Total non-current assets		3,136,174	2,080,664
Current assets			
Inventories		116,964	138,793
Trade receivables	9	924,802	867,998
Utility and other deposits		447,043	287,916
Prepayments and other receivables		617,709	430,876
Financial assets at fair value			
through profit or loss		6,928	8,514
Cash and bank balances		489,018	294,214
		<hr/>	<hr/>
Total current assets		2,602,464	2,028,311
		<hr/>	<hr/>
Total assets		5,738,638	4,108,975
EQUITY			
Capital and reserves attributable to equity			
shareholders of the Company			
Share capital		77,527	77,677
Reserves		4,228,946	3,600,113
Proposed final dividend	7	61,910	43,608
		<hr/>	<hr/>
		4,368,383	3,721,398
Non-controlling interests		168,431	52,710
		<hr/>	<hr/>
Total equity		4,536,814	3,774,108
		<hr/>	<hr/>

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Convertible bonds		830,745	–
Deferred tax liabilities		70,315	59,933
Obligation under a finance lease		441	–
		<hr/>	<hr/>
Total non-current liabilities		901,501	59,933
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>10</i>	84,403	77,494
Other payables and accruals		114,994	54,159
Bank borrowings		58,927	111,466
Obligation under a finance lease		109	–
Current tax liabilities		41,890	31,815
		<hr/>	<hr/>
Total current liabilities		300,323	274,934
		<hr/>	<hr/>
Total liabilities		1,201,824	334,867
		<hr/>	<hr/>
Total equity and liabilities		5,738,638	4,108,975
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,302,141	1,753,377
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		5,438,315	3,834,041
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

2. CHANGES IN ACCOUNTING POLICIES

Adoption of new or revised accounting standards

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group as follows:

HKAS 24 (revised 2009)	Related party disclosures
Improvements to HKFRSs (2010)	
HK (IFRIC) 19	Extinguishing financial liabilities with equity instruments
Amendments to HK (IFRIC) 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HK (IFRIC) 14 have had no material impact on the Group’s financial statements as the Group does not have such minimum funding requirement. HK(IFRIC) 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous years.

3. TURNOVER, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Turnover represents commission income and handling fee income, interest income and income from provision of lottery machines and related services.

An analysis of the Group's turnover, other income and other gains/(losses), net is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover		
Commission income and handling fee income	3,915	4,114
Interest income from		
– banks	4	5
– margin clients	233	274
Income from provision of lottery machines and related services	1,804,975	1,609,935
	1,809,127	1,614,328
Other income		
Interest income on bank deposits	2,150	1,022
Sundry income	7,621	15,806
Rental income from		
– investment property	50	112
– sub-letting of rented premises	5,172	5,492
	14,993	22,432
Other gains/(losses), net		
Net gains/(losses) on disposal of financial assets		
at fair value through profit or loss	1,275	(4,038)
Fair value losses on financial assets		
at fair value through profit or loss	(316)	(2,714)
Exchange gains	–	1,052
Fair value gain on investment property	138	174
Reversal of allowance for impairment of bad and doubtful debts, net	29	–
	1,126	(5,526)
	1,825,246	1,631,234
Total interest income on financial assets not at fair value through profit or loss	2,387	1,301

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, i.e. the Group's Executive Directors, for the purposes of allocating resources to segments and assessing their performance, the Group has presented the following two reportable segments:

- Lottery business
- Financial services

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties. The amounts reported for the prior year have been restated in conformity with the current year's presentation.

The Board assesses the performance of the business segments based on profit before taxation without allocation of finance income/(costs), which is consistent with those in the consolidated financial statements.

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below.

Business segments

- (a) The segment results for the year ended 31 December 2011 and segment assets and liabilities at 31 December 2011 are as follows:

	As at and for the year ended 31 December 2011		
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>1,804,975</u>	<u>4,152</u>	<u>1,809,127</u>
Segment results	861,269	(2,493)	858,776
Net unallocated expenses			<u>(51,992)</u>
Profit before taxation			806,784
Taxation			<u>(54,317)</u>
Profit for the year			<u>752,467</u>
Assets			
Segment assets	5,481,958	45,246	5,527,204
Unallocated assets			<u>211,434</u>
Total assets			<u>5,738,638</u>
Liabilities			
Segment liabilities	321,064	16,452	337,516
Unallocated liabilities			<u>864,308</u>
Total liabilities			<u>1,201,824</u>

The segment results for the year ended 31 December 2010 and segment assets and liabilities at 31 December 2010 are as follows:

	As at and for the year ended 31 December 2010		
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>1,609,935</u>	<u>4,393</u>	<u>1,614,328</u>
Segment results	710,980	(4,875)	706,105
Net unallocated expenses			<u>(25,974)</u>
Profit before taxation			680,131
Taxation			<u>(35,677)</u>
Profit for the year			<u>644,454</u>
Assets			
Segment assets	3,894,160	40,937	3,935,097
Unallocated assets			<u>173,878</u>
Total assets			<u>4,108,975</u>
Liabilities			
Segment liabilities	303,331	19,011	322,342
Unallocated liabilities			<u>12,525</u>
Total liabilities			<u>334,867</u>

(b) *Other segment information*

	For the year ended 31 December 2011		
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other information			
Depreciation and amortisation	96,512	468	96,980
(Reversal of allowance for)/allowance for impairment of bad and doubtful debts	(41)	12	(29)
Capital expenditure	154,271	–	154,271

	For the year ended 31 December 2010		
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other information			
Depreciation and amortisation	64,855	504	65,359
(Reversal of allowance for)/allowance for impairment of bad and doubtful debts	(201)	231	30
Capital expenditure	134,491	281	134,772

Geographical segments

The Group's business segments operate in two main geographical areas.

	As at and for the year ended 31 December 2011				
	Turnover <i>HK\$'000</i>	Segment results and profit/(loss) before taxation <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	4,152	(54,485)	256,680	880,760	–
The PRC	1,804,975	861,269	5,481,958	321,064	154,271
	<u>1,809,127</u>	<u>806,784</u>	<u>5,738,638</u>	<u>1,201,824</u>	<u>154,271</u>

	As at and for the year ended 31 December 2010				
	Turnover	Segment results and profit/(loss) before taxation	Total assets	Total liabilities	Capital expenditure
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	4,393	(30,849)	69,815	31,536	281
The PRC	1,609,935	710,980	4,039,160	303,331	134,491
	<u>1,614,328</u>	<u>680,131</u>	<u>4,108,975</u>	<u>334,867</u>	<u>134,772</u>

Information about major customers

None of the customer contributed over 10% of the total turnover of the Group during both years.

5. PROFIT BEFORE TAXATION

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> <i>(Restated)</i>
Auditors' remuneration		
– audit services	2,804	2,782
– other services	261	656
Allowance for impairment of bad and doubtful debts, net	–	30
Cost of inventories sold	567,103	614,777
Forfeiture of deposits for acquisition of leasehold land use rights	–	3,201
Research and development costs	11,648	13,137
Loss on disposal of property, plant and equipment	1,978	720
Depreciation and amortisation on		
– property, plant and equipment	87,034	57,390
– prepaid lease payments on land use rights	941	775
– intangible assets	9,005	7,194
Operating lease rentals in respect of		
– office premises and warehouse	34,586	32,004
– machinery	1,215	1,163
Exchange losses	413	–

6. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the year (2010: Nil).

One of the jointly controlled entities, Beijing Guard Libang Technology Co Ltd, and two of the subsidiaries, 濟南銀網聯合科技有限公司 and Shenzhen Sinodata Technology Co Ltd, of the Group's lottery business in the PRC are subject to a preferential tax rate of 15% as they are recognised as high technology enterprises for the years ended 31 December 2011 and 2010.

According to the provisions stipulated in the tax circular, Caishui [2000] No. 25, one of the subsidiaries of the Group's lottery business in the PRC, 濟南數碼彩通科技有限公司, is exempted from income tax for two years commencing from the first year of profitable operations, followed by a 50% reduction for the following three years. The first profit-making year of this subsidiary was 2007 and thus it enjoyed 50% reduction for the year ended 31 December 2011. The applicable income tax rate for current year was 12.5% (2010: 12.5%).

Two of the subsidiaries of the Group's lottery business in the PRC, Shenzhen Kingsail Software Tech Co Ltd and 深圳市思樂數據設備服務有限公司 were established and operate at the Shenzhen Special Economic Zone of the PRC for which the applicable preferential tax rate was 24% (2010: 22%).

According to the provisions stipulated in the tax circular, Jingdishuiqi [2010] No. 50, one of the subsidiaries of the Group's lottery business in the PRC, Elottery Vision (Beijing) Technology Co Ltd, is exempted from income tax for two years commencing from 2009, followed by a 50% reduction for the following three years to 2013. The applicable income tax rate for current year was 12.5% (2010: Nil).

The applicable income tax rate for the remaining subsidiaries of the Group's lottery business in the current year is 25% (2010: 25%).

The amount of taxation charged to the consolidated income statement represents:

	2011	2010
	HK\$'000	HK\$'000
Current tax:		
– PRC income tax	49,977	24,702
– Over-provision in respect of previous years	(4,987)	(2,513)
	44,990	22,189
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	9,322	13,412
Attributable to changes in tax rates	5	76
Taxation charge	54,317	35,677

7. DIVIDENDS

	2011	2010
	HK\$'000	HK\$'000
Interim dividend declared and paid of 0.48 HK cent (2010: 0.35 HK cent) per ordinary share	37,446	27,031
Proposed final dividend of 0.73 HK cent (2010: 0.56 HK cent) per ordinary share	61,910	43,608
	99,356	70,639

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the balance sheet date.

The final dividend of HK\$43,641,000 for financial year 2010 was approved and paid in financial year 2011.

8. EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the Group's profit attributable to equity shareholders of the Company for the year divided by the weighted average number of shares in issue during the year.

	2011	2010
Profit attributable to equity shareholders of the Company <i>(in thousand HK\$)</i>	<u><u>723,452</u></u>	<u><u>636,016</u></u>
Weighted average number of ordinary shares in issue <i>(in thousand):</i>		
Issued ordinary shares at 1 January	7,767,675	7,590,175
Effect of share options exercised	25,504	109,750
Effect of shares repurchased	<u>(8,894)</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>7,784,285</u></u>	<u><u>7,699,925</u></u>
Basic earnings per share	<u><u>9.29 cents</u></u>	<u><u>8.26 cents</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit attributable to equity shareholders of the Company and adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares on the deemed conversion of all convertible bonds into ordinary shares.

The calculation of diluted earnings per share for the year ended 31 December 2011 has not included the potential effect of the share options outstanding as it has an anti-dilutive effect on the basic earnings per share for the year.

	2011	2010
Profit for the year for the purpose of		
basic earnings per share (<i>in thousand HK\$</i>)	723,452	636,016
Effect of dilutive potential ordinary shares		
– imputed interest on convertible bonds	<u>20,635</u>	<u>–</u>
Profit for the purpose of diluted earnings per share	<u><u>744,087</u></u>	<u><u>636,016</u></u>
Weighted average number of ordinary shares		
for the purpose of basic earnings per share (<i>in thousand</i>)	7,784,285	7,699,925
Effect of dilution – weighted average number of		
ordinary shares (<i>in thousand</i>):		
– exercise of share options	–	27,232
– conversion of convertible bonds	<u>223,881</u>	<u>–</u>
	<u><u>223,881</u></u>	<u><u>27,232</u></u>
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share		
(<i>in thousand</i>)	<u><u>8,008,166</u></u>	<u><u>7,727,157</u></u>
Diluted earnings per share	<u><u>9.29 cents*</u></u>	<u><u>8.23 cents</u></u>

* *The effect of dilution for the year 2011 is less than 0.01 cent.*

9. TRADE RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Margin client receivables, net	2,285	4,497
Other client receivables, net	1,709	1,199
Broker receivables	140	131
Amount due from clearing house	582	2,064
Loan receivables	1,267	1,478
Loan interest receivables	392	391
Trade receivables – Lottery business	<u>918,427</u>	<u>858,238</u>
	<u>924,802</u>	<u>867,998</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on the Stock Exchange with market value of approximately HK\$7,255,000 as at 31 December 2011 (2010: HK\$21,882,000). No ageing analysis is disclosed for margin client receivables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking.

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

The Directors consider that the carrying amounts of trade receivables approximate to their fair values. The Group generally grants credit periods of 90 to 160 days to its trade customers.

The ageing analysis of loan receivables, loan interest receivables and trade receivables – Lottery business is as follows:

	As at 31 December 2011		
	Loan receivables and loan interest receivables <i>HK\$'000</i>	Trade receivables – Lottery business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months or less	589	533,980	534,569
One year or less but over three months	–	351,886	351,886
Over one year	<u>1,070</u>	<u>32,561</u>	<u>33,631</u>
	<u>1,659</u>	<u>918,427</u>	<u>920,086</u>

As at 31 December 2010

	Loan receivables and loan interest receivables <i>HK\$'000</i>	Trade receivables – Lottery business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months or less	–	548,537	548,537
One year or less but over three months	–	299,893	299,893
Over one year	1,869	9,808	11,677
	<u>1,869</u>	<u>858,238</u>	<u>860,107</u>

10. TRADE PAYABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Margin client payables	4,576	4,641
Other client payables	10,547	13,189
Trade payables – Lottery business	69,280	53,850
Bills payables – Lottery business	–	5,814
	<u>84,403</u>	<u>77,494</u>

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

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

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

The Directors consider that the carrying amount of trade payables approximate to their fair values.

The ageing analysis of the Group's trade payables – Lottery business is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Three months or less	49,239	32,016
Over three months	20,041	21,834
	<u>69,280</u>	<u>53,850</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the financial year ended 31 December 2011.

BUSINESS REVIEW AND PROSPECTS

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

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

Lottery Business

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

Turnover of the lottery business for the year increased by 12.1% to HK\$1,804,975,000 (2010: HK\$1,609,935,000), accounting for 99.8% of the total turnover. Profit before taxation arising from this segment recorded a growth of 21.1% to HK\$861,269,000 (2010: HK\$710,980,000).

Key Developments in 2011

China lottery market made a new milestone in 2011 by taking the country's total lottery sales beyond the RMB200 billion mark for the first time.

In 2nd half of 2011, the Group successfully issued about HK\$964.7 million convertible bonds which not only allows us to further strengthen our financial position and capital structure, but also increase our flexibility to pursue opportunities identified in the China lottery market, particularly in the new electronic lottery market. Despite the volatile and weak market sentiment during the 3rd quarter of 2011, we managed to complete the offering of the convertible bonds at a 30% conversion premium and successfully enhanced our corporate profile as well as attracted a group of long term investors that will likely strengthen our shareholder base in the future.

On the business development front, the Group made a strategic move to expand its downstream lottery distribution operations and established DMB Division in 2008. In the past 3 years, we have made concerted efforts to develop our DMB Division into a leading player by providing the most extensive distribution channels and lottery products in China. During the year under review, our DMB Division has completed our electronic lottery platform expansion strategy by acquiring the controlling interests in companies which operate the sports information and internet lottery portals in China. We acquired these various portals to complement our existing infrastructure of physical distribution platform as well as electronic lottery platform. The portals have been in operation since the early 2000s and are run by experienced teams with proven track records for over 10 years. They have been actively involved in the areas of sports events games of Sports Lottery in the past years and are the clear leaders in their respective Sports Lottery markets in China with large customer base and strong partnerships with major internet entrance portals (i.e. Alipay, Taobao, Tencent). Together, the various portals will be integrated into our Group's electronic lottery platform and given their high growth potential and profitability, we believe that they will make positive contribution to the Group. The Group's strategic move to the internet operation has not only further enhanced our lottery offerings over a safe, reliable and comprehensive distribution platform, but also further improved the overall profitability and financial strength of the Group. The acquisitions mark another milestone for the Group's DMB Division as it paves the way for us to usher in the new era of electronic lottery powered by the internet.

The aforementioned accomplishments have demonstrated our ongoing growth story. The Group will continue to leverage on our leading market position, solid customer base and differentiated services to capture synergies generated by our physical and electronic lottery distribution channels. We believe that the new distribution channels on the internet will accelerate the phenomenal growth of the lottery market in China and continue to make contributions for the good causes for the general public in China.

China Lottery Market

For the full year of 2011, total lottery sales of the China lottery market reached a new record of RMB221.6 billion (2010: RMB166.2 billion), registering a robust year-on-year growth of 33%. Welfare Lottery accounted for about 58% (RMB127.8 billion) of total lottery sales while Sports Lottery took up 42% (RMB93.8 billion).

In respect of Welfare Lottery, Welfare Computer Ticket Games (“CTG”) accounted for about 71% of total Welfare Lottery sales; Welfare Scratch Cards was about 16% and Video Lottery Terminals (“VLT”) took about 13%.

Welfare CTG sales in 2011 was RMB90.7 billion, increased by 24% when compared with 2010. The growth of this segment was attributed to the successful development of both national and regional games. During the year, Dual Colour Ball, the flagship national Welfare CTG accounting for more than half of total Welfare CTG sales, created the largest lottery prize in history amounted to RMB565 million. While the large lotto jackpot of national game was appealing to lottery consumers, the growing number of regional games emerged in different provinces featuring wide variety of prizes and high frequency of drawings also managed to attract lottery sales.

Welfare Scratch Cards sales reached RMB20 billion, representing an increase of 39% over 2010. The successful marketing campaigns timely aligned to the Chinese festivals and holidays as well as increasing popularity of high face value tickets were able to improve the sales of lottery tickets.

VLT sales up by 83% and reached RMB17 billion by maintaining a strong growth momentum.

On Sports Lottery side, Sports CTG accounted for about 79% of total Sports Lottery sales and Sports Scratch Cards was about 21%.

Sales of Sports CTG, including Single Match Games (“SMG”), increased by 39% to approximately RMB73.8 billion. While the traditional lotto and number games maintained a healthy growth during the year, the sales of Sports Events Lottery also contributed to the growth of this segment. In terms of Sports Events Lottery, the sales of SMG increased by 103% year-on-year to RMB12.4 billion, accounting for about 57% of the total sales of Sports Events Lottery. Against a backdrop of the high base effect due to the World Cup in 2010 and the temporary lockout of NBA (National Basketball Association) during the 4th quarter of 2011, SMG still topped the sales league of Sports Lottery in terms of the growth rate.

Sports Scratch Cards sales maintained a healthy growth of 21% to RMB20 billion which was attributed to the successful launch of new tickets, for example the NBA series, as well as the new highest face value ticket of RMB30 with increased top prize.

System and Games Development Business

The Group's SGDB Division is an active participant in the provision of lottery systems and specialized equipments for both CTG and Scratch Cards products in China. During the year under review, the aforementioned upstream and midstream lottery operations continued to benefit from the strong performance of the China lottery market and contributed meaningful earnings and cash flow to the Group.

Welfare CTG Business

The Group's SGDB Division, through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), participates in the Welfare CTG business in China. Sinodata, a non-wholly owned subsidiary of the Group, is the leading lottery system and specialized equipment supplier for the Welfare CTG market in China.

During the year under review, Sinodata provided its professional services to 16 lottery provinces in China and successfully maintained its market share. Welfare CTG continued to account for the lion's share of China lottery market through the well developed lottery product portfolio principally comprises national games with appealing jackpot and fast growing regional games offering entertaining lottery experience.

Capitalizing on its excellent track records and outstanding technologies in the field of lottery system and specialized equipment, Sinodata is well prepared to seize the emerging opportunities to further expand its business coverage in China.

Welfare Scratch Cards Business

For the full year of 2011, sales of Welfare Scratch Cards registered a strong growth of 39% to RMB20 billion due to the successful marketing campaigns organised during Chinese festivals and holidays. The Group's SGDB Division benefited from the strong market performance through its participation in scratch card operations including printing and validation.

The Group has jointly controlled interests, through Beijing Guard Libang Technology Co Ltd (“Guard Libang”), in Welfare Scratch Cards validation services in China. Guard Libang is a 50:50 joint venture with Scientific Games Corporation (“Scientific Games”), the world’s leading instant lottery system and validation company. Our strategic partnership with Scientific Games will continue to deliver its expertise and technological know-how to the Scratch Cards market in China.

Our SGDB Division also involves in Scratch Cards printing business. Through a cooperative venture with Shijiazhuang Offset Printing House, one of the three entities authorized to print for the Welfare Scratch Cards programs, the Group has been contributing to the development of Welfare Scratch Cards in China. During the period under review, an enhancement program aimed to increase the printing capacity and improve printing technology of our printing press located at Shijiazhuang was completed. The world-class printing facilities which are now the most advance printing press in China, have come into commercial operation in August 2011 after the successful installation followed by fine-tuning of system and labour training. With our commercial operating capacity increased to 2-3 billion tickets per year, we believe our market share will gradually improve in future.

Sports CTG Business

The Group’s Sports CTG business involves the sales of CTG machines to provincial Sports Lottery Centres across China serving the needs of traditional CTG segment and supporting the development of SMG. During the year under review, machine replacement demand started off slow but gradually improved as the year progressed. We expect the momentum will sustain in this year as demand recovers in the new replacement cycle ahead.

Distribution and Marketing Business

The Group’s DMB Division has successfully evolved from a mere physical distribution network under the cooperation distribution model into a comprehensive distribution platform covering most type of lottery products by means of physical and electronic channels. It is our long-term initiative to dedicate focused efforts to reach out to lottery consumers in China and address their needs directly with our reliable and innovative lottery services. During the year under review, the DMB Division continued to make significant progress and committed to consolidating its physical lottery distribution network and electronic lottery distribution platform and so to strengthen the Group’s position as a major participant in the downstream lottery operations in China.

Cooperation Distribution Business

Under the cooperative model, we focus on building our physical lottery distribution network with channel partners, entities and organizations that already had a widely diversified and recognized sales network located in selected prime locations in China. Our channel partners principally comprise chains of convenience store and supermarket, grocery and pharmacy chains, gasoline stations and post offices. The Group will continue to benefit from this model and success as a dominant lottery distributor over physical channels. During the year under review, the operating performance of the Point-of-Sales continued to improve.

Single Match Games Business

The Group's strategy in SMG business is to establish physical shops for marketing and recruit members, and with 24-hours call center and other electronic distribution platforms to support business operations. We are very excited by the acquisitions of the leading lottery portals which have been serving as the major source of lottery information and a convenience electronic gateway for most of the SMG players to play lottery in the market. After the acquisitions, we have been focusing on the platform and back-end system integration works of the electronic lottery distribution platform for the whole group, and we expect the integration will be completed by end of 1st quarter of 2012. By focusing on our strategy to construct a comprehensive lottery platform comprises franchise store, call center and online platform for SMG, the Group is well positioned to capture the opportunities provided by the market growth and benefit from the synergies generated from our operating model.

We believe the development of SMG is still in its infancy stage and there is significant opportunity in front of us. We anticipate that SMG will eventually become the flagship sports events lottery and the fastest growing lottery game in the coming years due to the positive impacts from the introduction of electronic lottery distribution channels and new play types.

Although SMG is a relatively new segment in China lottery market, it has demonstrated tremendous growth potential. For the full year of 2011, SMG sales increased by 103% to RMB12.4 billion when compared with 2010. We expect to see a strengthening trend in SMG growth while it remains in the early stage of development. We are confident that SMG represents one of the growth drivers for us.

Mobile Lottery Business and Mobile Electronic Lottery Platform

Our Mobile SMS Platform provides latest lottery information to customers and allows them to purchase CTG tickets by using SMS text messaging. This platform managed to attract an impressive growth of subscribers during the year as we made significant progress deepening our penetration into existing provinces in China.

Following the issuance of Interim Measures for the Administration of Telephone Lottery Sales in October 2010, we witnessed very positive developments on the Mobile Electronic Lottery Platform (“Mobile ELP”). In May 2011, the Group was appointed as the service provider of Mobile ELP for Liaoning Welfare Lottery and conducted a pilot testing for this platform. The pilot testing for Welfare Lottery in Liaoning has been completed and is subject to further review by lottery authorities prior to the approval of commercial launch. We are confident and optimistic about the prospect of Mobile ELP and we expect Mobile ELP could achieve significant breakthrough in 2012.

Financial Business

During the year under review, turnover of the financial business decreased by 5.5% to HK\$4,152,000 (2010: HK\$4,393,000), accounting for 0.2% of the total turnover and recorded segment loss of HK\$2,493,000 (2010: HK\$4,875,000). The Group will continue to divest from its non-core business and focus on the promising core lottery operations. Active measures have been taken to look for opportunities in releasing further resources from this business segment.

Outlook

China lottery market kicked off its development in the “Twelfth Five-Year Plan” period with record RMB221.6 billion lottery sales in 2011. We are very positive on the outlook of the China lottery market and we believe it will maintain a strong growth momentum in the coming few years. We believe 2012 will be another fruitful year for the Group to seize the emerging opportunities by adapting to the evolving landscape of China lottery market.

In January 2012, the lottery authorities had issued the Detailed Rules for Implementation of Regulation on Lottery Management (“Detailed Rules”) which came into effect on 1 March 2012. The Detailed Rules are formulated based on the regulating policies and practices codified in the Regulation on Lottery Management, which came into effect on 1 July 2009, in order to provide a detailed guidance on the authoritative standards and principles of lottery management and operation in China. This clearly illustrates that the fair and regulated market environment promoted by the lottery authorities is highly conducive to the development of a sustainable and healthy lottery market.

The Group shares the same view with regulators and consumers on the enforcement against illegal lotteries and malpractices in lottery market. With the Detailed Rules enacted, China lottery market is poised for a consolidation in the fragmented lottery downstream and such process will expedite implementation of the licensing regime for electronic lottery distribution channels. As a major participant in the industry, we believe we will benefit from the consolidation and further strengthen our leading position in the lottery market.

Looking ahead, China lottery market will undergo a significant change over the lottery distribution channels characterized by the rise of electronic distribution channels, specifically mobile phone and the internet. We view this as a critical moment in the history of China lottery market amid the convergence of traditional physical sales network and innovative electronic distribution channels.

In light of such development, we witness a fundamental change to the underlying structure of the stratified lottery consumers as their purchasing capacities, habits and motivations vary among each other. While the traditional physical lottery channels and retailers are best at providing consumer satisfaction by acquiring knowledge about customers and approaching them in their everyday life, the electronic lottery channels use technology in supporting the distribution of lottery products without the constraints of time and space. Such differentiated demand constitutes a brand new segment of customer base mainly consists of white collar and youths who possess stronger spending power on lotteries and have great desire to play lottery anytime and anywhere. It is believed that this new segment of customer will contribute a quantum leap growth for the industry. After years of development, the Group is now in the best position to capture this growth and market opportunities. Our strategic efforts in transforming our DMB Division into a diversified lottery distribution channel show our determinations to serve and capture this important customer segment of the market. The DMB Division has already made significant contribution to the Group.

In terms of product development, the Group has been working closely with international games design and lottery companies to develop related lottery products like electronic Scratch Card and high frequency games for the Mobile ELP. The Mobile ELP will not only benefit lottery consumers by allowing lottery customers to play lotteries, anytime, anywhere through a cost effective and secure channel; it also opens up a unique opportunity for us to develop and introduce new games that are not available on physical platform. We foresee that the distinctive characteristics of Mobile ELP will encourage an exponential proliferation among the lottery fans. As our Mobile ELP is prepared to commence its commercial operation in 2012, we are confident that the Mobile ELP is on the verge of great success in making meaningful contribution to the Group's earnings.

Meanwhile, we also trust SMG will substantially benefit from the convergence of distribution channels and becomes one of the key growth drivers to the market as well as our operations in future. As we are the major player in the industry and have developed a comprehensive distribution platform for SMG, we foresee this business will become one of our largest earnings contributors in the coming years.

In future, the Group will continue to focus on maximizing the synergies of our key significant initiatives, which include the integration of our physical and electronic lottery distribution channels as a centerpiece of our strategic development this year. After the completion of our electronic lottery platform expansion strategy by acquiring the various portals, we distinguished ourselves in the lottery industry with the most extensive distribution channels and lottery products. Our DMB Division will continue to excel and act as a key growth driver of our revenue growth. The evolution of the innovative lottery distribution methods will open up immense opportunities for the lottery market to grow significantly. The Group is excited by these enormous opportunities to contribute our part in the transformation of China lottery market.

As a major participant in China's Lottery industry, we are not only confident and optimistic about the future prospects of our Group, but are also confident that the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. We believe the solid foundation of our business will enable the Group to capitalize on the evolution underway and present a promising outlook on our earnings and cash flow prospect. Keeping abreast of the ever-evolving market and being market-oriented, we will continue our strategic efforts on initiatives that further leverage our existing and growing lottery infrastructure to enhance the Group's long-term growth prospect. Our commitment to generate and enhance the shareholder value will be reflected in a gradually increasing earnings payout through dividend payout and execution of our planned share repurchase program.

FINANCIAL REVIEW

Result

For the year ended 31 December 2011, the Group recorded a turnover of HK\$1,809,127,000 (2010: HK\$1,614,328,000), representing an increase of 12.1% over that of the last year. The increase was mainly attributable to the Group's lottery business in China which achieved a turnover of HK\$1,804,975,000 (2010: HK\$1,609,935,000).

Profit attributable to equity shareholders for the year was HK\$723,452,000 (2010: HK\$636,016,000). The earnings per share was 9.29 cents (2010: 8.26 cents). Fully diluted earnings per share was 9.29 cents (2010: 8.23 cents).

The Board recommended a final dividend of 0.73 HK cent per share (2010: 0.56 HK cent per share). Together with the paid interim dividend of 0.48 HK cent per share (2010: 0.35 HK cent per share), the Group's total dividend for the year ended 31 December 2011 amounts to 1.21 HK cent per share (2010: 0.91 HK cent per share).

Liquidity, Financial Resources and Funding

At 31 December 2011, the Group's total equity amounted to HK\$4,536,814,000 as compared to HK\$3,774,108,000 at the end of the previous year.

At 31 December 2011, the Group had cash reserves of approximately HK\$489,018,000 (2010: HK\$294,214,000), which included approximately HK\$12,704,000 (2010: HK\$14,687,000) of clients' funds that were kept in designated segregated bank accounts.

The gearing ratio as at 31 December 2011 was 19.62% (2010: 2.95%). The gearing ratio was derived by dividing the total borrowings including convertible bonds, obligation under a finance lease and bank borrowings of approximately HK\$890,222,000 by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 867% (2010: 738%).

The Group had outstanding bank borrowings as at 31 December 2011 of HK\$58,927,000 (2010: HK\$111,466,000). The borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Group's land and building and accounts receivable were pledged to secure the bank borrowings. We expect that all these borrowings will be repaid by internal generated funds.

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

Pledge of Assets

At 31 December 2011, the Group's land and building with total market value of approximately HK\$76,090,000 (2010: HK\$62,090,000) and the Group's bank deposits of HK\$10,976,000 (2010: HK\$45,302,000) and accounts receivable of HK\$21,678,000 (2010: HK\$20,766,000) were pledged to banks to secure the bank borrowings granted to the Group. At 31 December 2011, the Group's listed investment belonging to clients with total market value of approximately HK\$2,249,000 (2010: HK\$7,322,000) was pledged to a bank to secure the undrawn banking facilities.

Share Capital

33,500,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

48,450,000 shares of HK\$0.01 each were repurchased by the Company during the year.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2011.

Issue of the Convertible Bonds

On 21 September 2011, the Company entered into a subscription agreement with Daiwa Capital Markets Hong Kong Limited as the lead manager whereby the Company agreed to issue up to HK\$1,040,200,000 in aggregate principal amount of 6% convertible bonds due 2016 (the "Bonds") at the issue price of 100% of the principal amount thereof. The Bonds shall, upon conversion, entitle the holders thereof to subscribe for the shares of HK\$0.01 each (the "Shares") of the Company at an initial conversion price of HK\$0.6175 per Share.

The total issue size of the Bonds was HK\$964,700,000 in principal amount, comprising:

- 1) Firm Bonds of HK\$816,900,000 in principal amount issued on 28 September 2011;
- 2) Exercised Option Bonds of HK\$70,000,000 in principal amount issued on 7 November 2011; and
- 3) VC Placed Bonds of HK\$77,800,000 in principal amount issued on 28 November 2011.

The total gross proceeds from the issue of the Bonds were HK\$964,700,000, which shall be used as general working capital of the Group and pursuing future opportunities identified in the lottery market in China, particularly in the new electronic lottery market.

The Bonds are currently listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the Bonds and the principal terms thereof are set out in the Company's announcements dated 22 September 2011, 28 September 2011, 28 October 2011, 7 November 2011 and 28 November 2011 respectively, and the Company's circular dated 5 November 2011.

There was no movement in the Bonds since issuance and during the year ended 31 December 2011.

Subsequent to the year end date, conversion rights attached to the Bonds of HK\$427,900,000 in principal amount have been exercised by the holders of the Bonds at the initial conversion price of HK\$0.6175 per Share and accordingly 692,955,465 Shares were issued.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

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

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

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2011.

Human Resources

As at 31 December 2011, the Group had 1,551 employees.

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

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

FINAL DIVIDEND

The Board declared an interim dividend of 0.48 HK cent per share in respect of the year ended 31 December 2011 which were paid on 31 October 2011. The Directors recommended, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the payment of a final dividend of 0.73 HK cent per share in respect of the year ended 31 December 2011 payable on or around Tuesday, 31 July 2012 to shareholders of the Company whose names appear on the Company's register of members at the close of business on Thursday, 28 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 June 2012 to Thursday, 28 June 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Further information is set out in the Corporate Governance Report contained in the 2011 annual report.

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

During the year ended 31 December 2011, the Company repurchased a total of 48,450,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$21,197,250 pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting held on 29 June 2011. Details of the repurchases of shares were as follows:

Month/Year	Total number of ordinary shares repurchased	Repurchase consideration per Share		Aggregate consideration (expenses excluded) HK\$
		Highest	Lowest	
		HK\$	HK\$	
September 2011	34,750,000	0.475	0.430	15,302,500
October 2011	<u>13,700,000</u>	0.440	0.420	<u>5,894,750</u>
	<u><u>48,450,000</u></u>			<u><u>21,197,250</u></u>

All the repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected with a view to benefit shareholders of the Company as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2011, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements for the year ended 31 December 2011.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2011 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aplushk.com/clients/00555rexlot/index.html>) respectively. The 2011 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders and made available on the above websites on or before 30 April 2012.

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

Hong Kong, 29 March 2012

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