AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

Annual Report 2010

CHINA SPORTS LOTTERY
中国体彩

中国电子竞技超级联赛
China E-Sports Premier League

CHARACTERISTICS OF GEM

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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FORTUNE

We provide the PRC lottery market with fully integrated professional game software, hardware and marketing consultancy services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Sun Ho *(Chairman & CEO)*
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
Wong Wai Sing

COMPANY SECRETARY

Wong Wai Sing

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
UBS AG
Citibank, N.A.

SHARE REGISTRAR IN BERMUDA

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11
PO Box HM 1020
Hamilton HM DX
Bermuda

SHARE REGISTRAR IN HONG KONG

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

STOCK CODE

8279

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
"Bye-law(s)"	means the bye-law(s) of the Company as amended, supplemented or modified from time to time
"CEO"	means chief executive officer
"Company" or "AGTech"	means AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares have been listed on GEM
"Director(s)"	means the director(s) of the Company
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on GEM
"GOT"	means 北京長城高騰信息產品有限公司 (Beijing Greatwall GOT Information Products Co., Ltd.*), a company incorporated in the PRC with limited liability and its 35% equity interest is held by the Group
"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) 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$0.002 each in the share capital of the Company
"Shareholder(s)"	means holder(s) of the Share(s)
"SLAC(s)"	means China Sports Lottery Administration Centre(s)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"HK$"	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$1.1807 to RMB1.00 has been used for reference only.*

2. *The English translation of the Chinese company names in this report are included for reference only and should not be regarded as the official English translation of such Chinese company names.*

3. *In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.*

* *For identification purpose only*

We liaise closely with the PRC regulatory authorities and do our utmost to help them develop a healthy lottery industry. We also assist them to evaluate new forms of legal and regulated lottery avenues with a view to cracking down on the illegal gambling market.

Corporate Profile

ABOUT AGTECH

Vision: Providing New and Exciting Sports Gaming Entertainment to the Chinese Community

A Leading Company in the Chinese Sports Lottery and Sports Leisure Industry

Since the beginning of 2007, AGTech has commenced business in China's sports lottery market. Leveraging on its expertise and technology, AGTech has been growing rapidly in the last few years from just providing sports lottery consultancy services to offering a wide array of sports lottery products and services ranging from lottery consultancy, retail and distribution to lottery games, system and equipment in over 80% of provinces across China. In April 2010, AGTech was honored to be authorised by the Chinese government to act as the sole official e-sports operator in China. We are devoted to working jointly with the Chinese government for the provision of new and exciting sports gaming entertainment to the Chinese community.

As of today, AGTech has about 200 professionals in the Asian Pacific region. With solid cooperation with international gaming players, we are able to create synergy and to deliver a solid contribution to the Chinese sports lottery and sports leisure industry. AGTech is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

CORPORATE PROFILE

INDUSTRY OVERVIEW

China: World's Fastest-growing Lottery Market

A New Era in the Chinese Lottery Market

The lottery industry has flourished in China since it was first launched in 1987. Over the last two decades, the only two legal lotteries in China, namely Sports Lottery and Welfare Lottery, have provided major sources of funds for building community sports facilities and financing social welfare programs in the country.

In recent years, China's lottery market has expanded rapidly with lottery sales exceeding RMB100 billion since year 2007 with average annual growth rate over 25%. While the lottery penetration rate in China is comparatively low (lottery sales per capita was only 1.3% and 1.0% of that of Hong Kong and Singapore respectively), coupled with the fact that illegal gambling market is about 10-20 times that of the legal lottery market, there is enormous potential for future growth.

China is reforming the lottery sector to recapture such huge underground lottery revenues. The promulgation of the first lottery regulations, the introduction of new rapid-draw lottery games and new single match sports betting, the increase of prize payout ratios, and the opening up of online and phone lottery distribution, all reflected that the Chinese government is dedicated to making the lottery more competitive and appealing to support its long-term growth.

For further retails on recent industry development, please refer to the "Management Discussion and Analysis" section on pages 38 and 39.

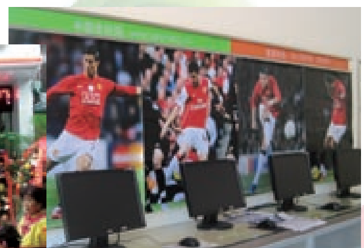
CORPORATE PROFILE

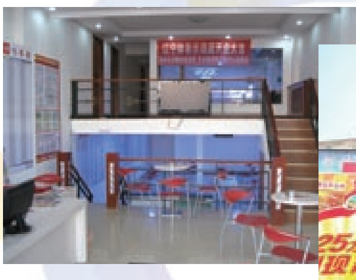
LOTTERY MANAGEMENT

A Fully Integrated Solution Provider for China Sports Lottery

AGTech has been providing fully integrated lottery solutions to China Sports Lottery since early 2007. By providing a wide range of products and services, know-how in lottery systems and management, international cutting-edge technologies as well as extensive distribution network, our dedicated team has striven to make a significant contribution to the efficiency, profitability and growth of our clients.

Currently, there are about 2,500 outlets under management selling all types of lottery products.





CORPORATE PROFILE

GAMING TECHNOLOGIES

The First Rapid-draw Fixed-odds Sports Lottery Platform and its Initial Game named "Lucky Racing"

Technology is not only significant for rapid development of the Chinese lottery market, but also particularly important as a new form of entertainment to bring to the lottery public an enjoyable and exciting pastime.

Our 51%-owned joint venture with Ladbrokes (the world's largest fixed-odds betting company) has successfully obtained all government approvals for the launch of a new rapid-draw fixed-odds sports lottery platform and its initial game, named "Lucky Racing" in China. This achievement marks the first legitimate rapid-draw sports lottery platform and game in China approved by the Ministry of Finance pursuant to the new lottery regulations. In addition, we are proud to become the first international provider to supply a world-class nationwide rapid-draw fixed-odds sports lottery central system in China.

This platform and game will be available via dedicated sports lottery shops and leisure venues and is highly suited as a potential lottery game for playing on the internet and phones.

CORPORATE PROFILE

One of the Largest Terminal and System Providers for China Sports Lottery

Through investment in GOT, one of the largest terminal and system providers for China Sports Lottery with advanced R&D and innovation capabilities and established markets in about 26 provinces, AGTech could further integrate its services and products to capture market opportunities in the Chinese sports lottery industry.

In order to facilitate players buying lotteries with ease, we are now engaged in developing groundbreaking technologies such as portable lottery sales terminals and self service lottery terminals.

We are also developing our own lottery games and concepts, and we are evaluating lottery games and related system and equipment of international lottery and equipment companies with a view to have them introduced to China's sports lottery market.









CORPORATE PROFILE

ONLINE AND PHONE LOTTERY SALES BUSINESS

As a leading sports lottery enterprise in China, the Group has been paying attention to the policy development with respect to the government approval of lottery sales via internet and phone and made corresponding strategic plans. In the coming year, the Group will continuously make good use of the existing resources and its competitive advantage to seek for investment opportunities to further develop the related business, thus creating new earnings growth for the Shareholders and consolidating the leading position of the Group in the industry.

SPORTS AND MEDIA

Exclusive Operator of China E-sports: A Unique Investment Opportunity

In April 2010, AGTech obtained an exclusive authorisation from China Sport Information Center of the General Administration of Sport of China to act as the sole e-sports operator in China.

AGTech proposes to provide a full range of e-sports products and services which include: organising national e-sports tournaments; operating the e-sports website (www.e-sports.org.cn); organising training for athletes and referees; broadcasting of tournaments; provision of management services for athletes; setting up of clubs and training centres; and sales of souvenirs and gifts etc.

It is a unique investment opportunity, enabling us to enter into China's rapidly growing e-sports industry. We see that e-sports tournaments were very well received by the public and have attracted extensive media exposure nationwide across the PRC through organising the recent e-sports events. Coupled with the fact that there are over millions of e-sports enthusiasts in the country, we believe there is enormous potential in the rapid growing e-sports market.

CORPORATE PROFILE

RESPONSIBLE LOTTERY

AGTech advocates responsible lottery practices. We believe that most lottery players buy lotteries in a rational way and take the activity as a form of leisure and entertainment. Only a small number of players are obsessed with lottery, and most of the problem gamblers bet through illegal channels. Innovative and legal lottery games can in effect help the government crack down on illegal gambling.

AGTech implements responsible lottery measures to facilitate lottery players playing with rationality and to minimise the potentially negative effects of lottery entertainment. For example, prohibition of credit betting and taking bets from underage players. In addition, responsible lottery information is available at lottery shops and found in product promotion materials. From time to time, we launch public educational programs for our customers, and we also provide lottery players with proper counseling services.

CORPORATE PROFILE

CORPORATE VALUES

AGTech's philosophy is founded on five core values: "FORTUNE", "HEALTH", "HAPPINESS", "LUCK" and "RESPONSIBILITY". Together they form the color scheme of our logo.

Fortune – We provide the PRC lottery market with fully integrated professional game software, hardware and marketing consultancy services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.

Health – We liaise closely with the PRC regulatory authorities and do our utmost to help them develop a healthy lottery industry. We also assist them to evaluate new forms of legal and regulated lottery avenues with a view to cracking down on the illegal gambling market.

Happiness – As a form of entertainment, lotteries are growing in popularity among the Chinese citizens, and we are privileged to bring lottery players happiness and an exciting pastime.

Luck – Lottery wins are perceived as a token of "luck", and it is one of our core corporate values to bring such luck to China's lottery players and society through our products.

Responsibility – We strive to actively contribute to the development of a responsible lottery industry which will raise important funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we are the sponsor of a wide range of sport events.

CORPORATE PROFILE

CONTRIBUTING TO THE SOCIETY

AGTech is committed to promoting healthy and steady development of China's lottery industry that carries a sense of social responsibility. We shall continue to work closely with regulatory authorities and do our best to help the government evaluate new forms of legal and regulated avenues, with a view to fighting illegal gambling and raising funds for sports and welfare projects.

AGTech is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA). We will work closely with other members to ensure healthy and stable development of the Asian and global lottery markets.

We often sponsor charity and sport events so as to fulfill our corporate social responsibility and contribute to the community.

CORPORATE PROFILE

EXCELLENT TEAM

Professional and Solid Management Team

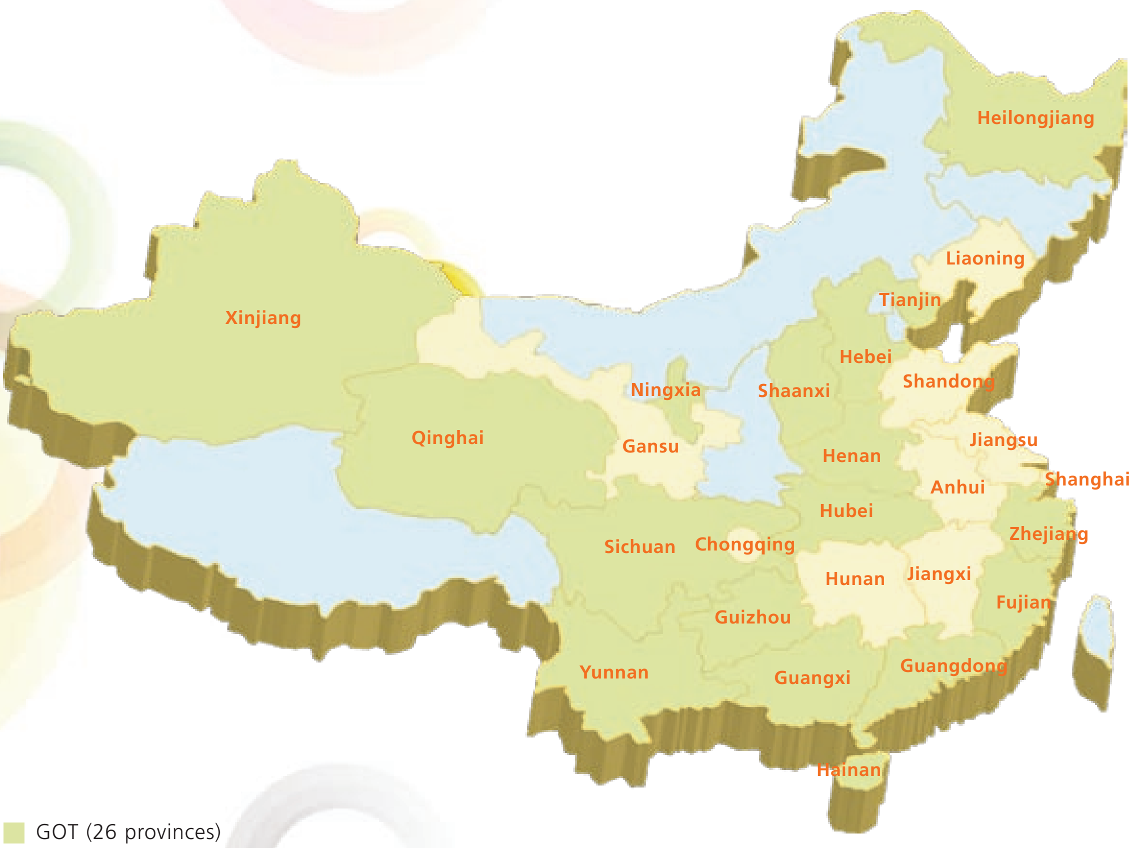
Having recognised that talents are assets to our company, AGTech possesses talented employees who are experienced in our industry and other professional areas. We provide employees with good working environment, competitive salaries and extensive platforms for them to showcase their capabilities. We will continue to streamline our incentive scheme to stimulate employees' initiative and creativity.

Currently, AGTech has about 200 professionals with qualifications in lottery, I.T. and other specialised fields. With such a strong team, it enables AGTech to build a solid business foundation and to achieve breakthroughs in the future.

CORPORATE PROFILE

FOOTPRINTS OF OUR BUSINESS

Through investment in GOT, the footprints of our lottery business cover over 80% of provinces across China with comprehensive after-sales service network. By leveraging on these comprehensive sales and service networks, the Group expects to benefit from enhancing its overall efficiency and market competitiveness.



GOT (26 provinces)

AGTech and GOT (9 provinces)

HAPPINESS

As a form of entertainment, lotteries are growing in popularity among the Chinese citizens, and we are privileged to bring lottery players happiness and an exciting pastime.

Chairman's Statement

Dear Shareholders,

AGTech has been focusing on the development of the sports lottery business in China since early 2007. After years of efforts, we are pleased to announce a turnaround for the first time for this year with operating profit of approximately HK$700,000. In October last year, the Ministry of Finance of the PRC promulgated two provisional measures to approve lottery sales via internet and phone. Under such favorable environment, it is expected that China Sports Lottery will proactively develop various new games, new distribution channels and new technologies in 2011, thereby bringing a new landscape with robust growth to the PRC lottery market. AGTech will continue to utilise its solid operation management capability, advanced software and hardware development technologies, client network and leading market position so as to consolidate its existing core lottery management business and proactively seize cooperation opportunities in various areas and make every effort to extend the current profit momentum to new businesses such as virtual sports betting as well as online and phone lottery distribution. We believe that the business growth of the Group in the coming year will be booming through the current established comprehensive strengths and its business development capability.

For the year under review, AGTech made significant progress in business development, which helped it optimise its sports lottery business framework. In March 2010, we announced the acquisition of an indirect 35% equity interest in GOT. As GOT is one of the largest terminal and system providers for sports lottery in the PRC, the acquisition marks the furtherance of our business plans in strengthening our supply chain for the PRC sports lottery industry, expanding sales network, strengthening research and development capability, enhancing our core competitiveness as well as creating synergy. Looking ahead to 2011, as it is expected that there is strong demand for new lottery terminals and new technologies from the SLAC, the acquisition will help the Group capture the potential opportunities which emerge in the market in timely manner, thereby consolidating AGTech's leadership position in the PRC sports lottery market. In addition, the solid business operation of GOT will continue to bring about stable cash flow and profit contribution to the Group.

AGTech achieved another major breakthrough in its lottery business in China last year: after over three years' efforts, its joint venture with Ladbroke Group (a world-leader in betting and gaming markets, based in the United Kingdom) successfully obtained approvals from the relevant Chinese government administration departments in September 2010 for the launch of a new rapid-draw fixed-odds sports lottery platform and its initial game, named "Lucky Racing" (「幸運賽車」) as the first world-class rapid-draw fixed-odds sports lottery central betting system and games in the sports lottery industry in China. This achievement marks the first legitimate rapid-draw sports lottery platform and game approved by the lottery industry regulator (the Ministry of Finance) pursuant to the new lottery regulations and pioneered in the development of virtual sports betting in the sports lottery industry in China.

The "Lucky Racing" game is highly entertaining, which allows lottery players to place a bet by using their wits and information on hand. Also notable is its exciting features – it is a monitor game runs every 12 minutes or so and is visually displayed upon in-store monitors in lottery shops and entertainment arenas, so that players can wager and watch the game and results there as a form of entertainment and pastime. In addition to meeting the demand of lottery players for entertainment and sports betting, such legal lottery entertainment would also help crack down on illegal gambling. It is expected that following the launch of the game, it would generate additional profit for the Group and bring in new market opportunities to the Group by facilitating the launch of other high frequency games on the platform.

Looking ahead, we believe that year 2011 will be another exciting chapter for AGTech due to the business potentials brought about by commencing operation of the above new projects gradually in this year. Coupled with rapid economic development of China and continuous improvement in people's disposable income, China's sports and sports lottery market showed a promising outlook. In addition, following the promulgation of the "Regulations on Administration of Lotteries", the Chinese government has implemented various new measures from time to time to facilitate the development of the industry. For instance, the approval of lottery sales via internet and phone provides great room for benign development for the Chinese lottery industry players. AGTech will continuously take advantage of the favorable business environment and utilise its abundant resources made available for international cooperation, advanced research and development technology and comprehensive industry supply chain, aiming at capturing suitable business opportunities and seeking business expansion and future innovation and breakthroughs in the industry.

As a lottery enterprise with strong sense of corporate social responsibility, AGTech will continue to live up to its core corporate values of enriching society through "Fortune", "Health", "Happiness", "Luck" and "Responsibility". In addition to developing games that provide responsible lottery entertainment to the public, we will respond proactively to the possible social problems arising from obsession with lottery. We have, since 2007, implemented a series of responsible lottery measures to provide lottery players with information and counseling on responsible lottery, with a view to ensure healthy and steady growth for China's lottery industry. Furthermore, we will continue to sponsor charity and sport events in China so as to fulfill our corporate social responsibility and contribute to the community.

Last but not least, I would like to express my heartfelt gratitude to all our colleagues for their dedication and hard work. My warmest thanks also go to our board members, management team, Shareholders, business partners and customers for their indispensable contribution and continuing support to AGTech. I believe that, with the continuing consolidation of AGTech's business foundation, breakthroughs will be achieved in its future development and we look forward to your continued trust and support in our future endeavors.

Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 23 March 2011

Lottery wins are perceived as a token of "luck", and it is one of our core corporate values to bring such luck to China's lottery players and society through our products.

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 approvals or opinions;
- 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2010, the Company complied with the Code, except (as similarly disclosed on page 29 of the Company's annual report for the six-month period ended 31 December 2009) that:

- under the Code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO 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 the 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. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. 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.

THE BOARD

Being the highest decision-making body of the Company, the Board is responsible for the Group's corporate policy formulation, strategic business 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 results 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, rules and regulations.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2010, the members of the Board comprised:

Executive Directors:	Mr. Sun Ho *(Chairman & CEO)* Mr. Robert Geoffrey Ryan Mr. Bai Jinmin Mr. Liang Yu
Non-executive Director:	Ms. Yang Yang
Independent non-executive Directors:	Mr. Kwok Wing Leung Andy Mr. Wang Ronghua Mr. Hua Fengmao

To the best knowledge of the Directors, there are no financial, business, family or other material relationships among the members of the Board. 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.

The Board meets at least four times each year at approximately quarterly intervals to review the financial and operating performance of the Group. The Directors participate 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 are 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 approvals as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

Four Board meetings were held during the year ended 31 December 2010. The attendance record of each Director is as follows:

Mr. Sun Ho	4/4
Mr. Robert Geoffrey Ryan	4/4
Mr. Bai Jinmin	3/4
Mr. Liang Yu	4/4
Ms. Yang Yang	0/4
Mr. Kwok Wing Leung Andy	4/4
Mr. Wang Ronghua	4/4
Mr. Hua Fengmao	2/4

CORPORATE GOVERNANCE REPORT

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year ended 31 December 2010, 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 31 December 2010, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on page 61 to 62.

CHAIRMAN AND CEO

During the year ended 31 December 2010, the roles of chairman and CEO 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 CEO 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 the 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 agreements were renewed twice for further two years commencing 19 July 2008 and 19 July 2010. Upon the expiry of the renewed service agreements, the appointment of each of such independent non-executive Directors was further renewed under a new service agreement for a term of two years commencing from 19 July 2010. The non-executive Director was appointed by way of a director's service agreement for a term of two years commencing from 3 December 2007. Following the expiry of the service agreement of such non-executive Director on 2 December 2009, the appointment of such non-executive Director was renewed under a new service agreement for a term of two years commencing 3 December 2009. The appointments of the aforesaid independent non-executive and non-executive Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws and shall be terminated by either party to such agreement giving the other party not less than one month's written notice.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The remuneration committee was established on 24 June 2005. During the year under review, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao remained as members of the remuneration committee. The current chairman of the remuneration committee is Mr. Kwok Wing Leung Andy.

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 and CEO on his 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.

The emolument policy of the employees of the Group is formulated by the remuneration committee on the basis of their performance, 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 the Shareholders upon request.

During the year ended 31 December 2010, a meeting was held by the remuneration committee. Record of individual attendance is as follows:

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

CORPORATE GOVERNANCE REPORT

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.

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 the Shareholders upon request.

During the year ended 31 December 2010, no meeting was required to be held by the nomination committee.

AUDITORS' REMUNERATION

Remuneration to the auditors of the Company and provision of other audit services, HLB Hodgson Impey Cheng, amounted to HK$800,000 and HK$638,000 respectively for the year ended 31 December 2010. The Group also committed HK$48,000 to HLB Hodgson Impey Cheng Taxation Services Limited for the tax compliance work of the Company and certain subsidiaries for the year of assessment 2010/2011.

CORPORATE GOVERNANCE REPORT

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 the 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 reappointment of auditors and provide advice and comments on the Group's draft annual, interim and quarterly results and 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 appointed as the chairman of such committee.

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	3/4

The Group's draft unaudited interim, quarterly and audited annual results were reviewed by the audit committee during the year ended 31 December 2010, 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. The audit committee also attended a meeting with HLB Hodgson Impey Cheng, the auditors of the Company, to discuss the final results of the Group and audit status.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems to safeguard the assets of the Group and the 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, risk management functions, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

During the year under review, the Group delegated a group internal auditor from the head office in Hong Kong and an internal auditor from a PRC subsidiary 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.

CORPORATE GOVERNANCE REPORT

Training was also provided to the 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.

SHAREHOLDER 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 the 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.

Notice to the Shareholders in respect of the annual general meetings and other general meetings of the Company will be sent by the Company at least 20 clear business days and at least 10 clear business days respectively before such meetings.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RESPONSIBILITY

We strive to actively contribute to the development of a responsible lottery industry which shall raise important funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we are the sponsor of a wide range of sport events.

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading sports lottery and sports leisure company in the PRC, the Group is principally engaged in (i) lottery management and gaming technologies business; (ii) online and phone lottery sales business; and (iii) sports and media business.

The Group focuses on the development of the sports lottery business in China, covering lottery management, game software and system, as well as hardware and terminals. The Group is also committed to applying advanced technologies and internet technologies to lottery industry for comprehensive coverage in various areas such as paper, internet, mobile phone, video, wireless network and streaming media, thereby providing sports lottery authorities and millions of lottery players in China with professional integrated lottery services.

During the financial year under review, there was significant improvement in the Group's operations. The Group recorded an operating profit of approximately HK$700,000 (six month ended 31 December 2009: loss of approximately HK$20,400,000). The significant turnaround reflected that the Group has successfully laid a good foundation by continuously adopting stringent cost control measures, streamlining operations and increasing productivity, thereby strengthening its leading position in sports lottery and sports leisure market in the PRC.

Revenue of the Group significantly increased to approximately HK$105,100,000 (six month ended 31 December 2009: approximately HK$33,800,000). Gross profit also rose to approximately HK$64,400,000 (six month ended 31 December 2009: approximately HK$20,600,000) with gross profit margin rising from 60.9% to 61.2%. Loss for the year improved drastically to approximately HK$41,000,000 (six month ended 31 December 2009: approximately HK$39,500,000).

Given a new rapid-draw fixed-odds sports lottery system and games to be launched in the first half of 2011 by the Group and its operation will be expanded into virtual sports betting and new development of online and phone lottery sales business, coupled with the expected continuing revenue growth driven by existing lottery management business, it is expected that the Group will maintain such sustainable and profitable growth path and bring better returns to the Shareholders for the year as a whole.

BUSINESS REVIEW

Industry Overview

During the year, the PRC lottery market continued to be ranked as the market with the most rapidly growth in the world. In 2010, total sports lottery sales in the PRC reached approximately RMB69.4 billion, up approximately 22.0% from approximately RMB56.9 billion recorded for the same period last year (Source: Ministry of Finance of the PRC).

MANAGEMENT DISCUSSION AND ANALYSIS

There is no doubt that the recent rapid economic development in China has brought about an increase in number of lottery players with higher income level, thereby providing extensive room for development of the lottery industry in China. More importantly, following the "Regulations on Administration of Lotteries" promulgated by the Chinese government in mid-2009, the "Provisional Measures for the Administration of Online Lottery Distribution" and the "Provisional Measures for Administration of Phone Lottery Distribution" were promulgated on 9 October 2010, signifying a new era of merging traditional operation management experience and new technologies (new distribution channels, new games and new applications) for the PRC lottery industry.

According to the related document of the SLAC, it is expected that phone betting will be launched in 2011, online betting will be launched in 2012, the number of non-cash betting accounts will reach 5 million and 10 million in 2013 and 2015 respectively. On the other hand, sports lottery scratch tickets have become one of the three major sports lottery products. It is expected that the compound annual growth rate of the scratch ticket market is approximately 10.5% during the "Twelfth Five Year Plan" period and the sales may be as high as RMB50 billion by 2015. Currently, the SLAC is studying various innovative lottery games and focusing on the development of paperless scratch products and sports betting lottery products to steadily facilitate the research and development of real and virtual betting sports lottery.

Lottery Management and Gaming Technologies Business

During the year, the Group achieved a major breakthrough in its lottery business in China: the Group's majority-owned joint venture with Ladbroke Group (a world-leader in betting and gaming markets, based in the United Kingdom) successfully obtained government approvals for the launch of a new rapid-draw fixed-odds sports lottery platform and its initial game, named "Lucky Racing" （「幸運賽車」）. This achievement marks the first legitimate rapid-draw sports lottery platform and game in China approved by the lottery industry regulator (the Ministry of Finance) pursuant to the new lottery regulations. The Group is proud to become the first international provider to supply a world-class nationwide rapid-draw fixed-odds sports lottery central betting system and associated games in China.

It is expected that the Group will first launch the rapid-draw fixed odds betting platform and Lucky Racing game in Hunan province (the trial province) in second quarter of year 2011. Currently, the sports betting platform has been successfully built and deployed in the sports lottery central data centre and both the betting platform and the initial game software have been tested and certified by the third party testing authority authorised by the Ministry of Finance. Moreover, the relevant lottery authorities are also preparing appropriate venues (lottery shops and leisure venues), marketing campaigns and other logistics necessary to prepare for and launch the live game operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from being able to be played within existing dedicated sports lottery shops and leisure venues, Lucky Racing and further games to be launched on the betting platform of similar nature are highly suited as a potential lottery games for the expansive PRC internet and phone distribution channels. The Board believes that such new forms of lottery games and distribution channels can have extensive reach and have additional important benefit of being able to access the rapidly growing demographic segment of middle to high-income players in the PRC. Arguably, this higher leisure spend enabled demographic segment has not adequately been penetrated by the existing legitimate market product and distribution channels. The Board believes that the Group's newly approved betting system and game types are designed for and are highly suited for not only the existing distribution market but also higher yield per player markets and advanced distribution methods and hence will become a key potential growth driver for the Group and the Chinese sports lottery market. For more information, please refer to the announcement published by the Company on 8 September 2010.

In addition, during the financial year under review, the Group's gaming technologies projects and strategic business development have sustained good momentum and have been making steady progress. The Group is committed to delivering world-class innovative solutions to satisfy the requirements of the Chinese authorities and entertainment needs of lottery public, and has continuously devoted efforts and resources on research and development of gaming technologies. During the year, the Group has continued its focus on several business development projects such as self-service terminals, portable terminals, as well as other new lottery games, systems, equipment and technologies. The Group's international strategic partners for many of these projects are amongst the world's gaming and wagering industry giants in their respective fields.

The Group's lottery management business (which is the Group's existing core business) has maintained a stable growth with revenue and profit margins improved steadily. Also, the enhancement in operational efficiency and effectiveness has helped the Group strengthen its leading position as a reliable supplier of quality lottery products and services in the Chinese sports lottery market. These lottery management services compose primarily of: direct and franchise retail shop management, lottery sales through partnerships with major retailers (like supermarkets, convenience stores and so forth) as well as lottery sales, marketing and promotion management. The Board believes that the services and corresponding infrastructure and experience built and developed over time in the field necessary to perform the services have created a seasoned backbone of management and talent skill. Thriving on the ground experience and insight into the needs and operations of the market and as a result, the Group is apt to win and execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC. By 31 December 2010, the footprints of the Group's sports lottery business cover 80% of provinces across China backed by advanced systems, processes and expertise of the Group.

Furthermore, the Group's 35% investment in GOT, one of the largest terminal and system providers for China's sports lottery market with advanced R&D and innovation capabilities, has provided a stable revenue stream to the Group. With over 10 years of industry experience, GOT has built up superior research and development abilities in sports lottery terminals and systems and developed an extensive sales network in about 26 provinces in China. Considering GOT an established key industry player with cutting-edge technologies, the Directors believe that GOT is in a very well placed position to develop new sports lottery projects for the government of the PRC.

Online and Phone Lottery Sales Business

As a leading sports lottery enterprise in China, the Group had been paying attention to the policy development with respect to the government approval of lottery sales via internet and phone and made corresponding strategic plans. In the coming year, the Group will continuously make good use of the existing resources and its competitive advantage to seek for investment opportunities to further develop the related business, thus creating new earnings growth for the Shareholders and consolidating the leading position of the Group in the industry.

On 15 September 2010, with respect to the Group's lottery management and technology portfolio, the Company was successfully admitted as a member of the World Lottery Association (the "WLA"). The Board is proud that the Company is the first commercial lottery company in Hong Kong to become a member of the WLA. We are very heartened by this achievement and consider that being awarded membership of WLA signifies an internationally authoritative recognition of the important contribution made by the Company in China's lottery industry in past years. As WLA member, the Company will continue to facilitate responsible gaming and to keep it on a course of continuous improvement.

Sports and Media Business

The Group is the sole official e-sports operator in China as duly authorised by China Sport Information Centre of the General Administration of Sport of China ("CSIC"), the governing body of e-sports.

During the financial year under review, the Group has successfully held two national professional e-sports tournaments, namely the "National Electronic Sports Open", which was co-organised by the Group, CSIC and the relevant authorities in Shenzhen, the PRC during 8-11 August 2010, and "China-Germany E-Sports Friendly", which was co-organised by the Group, CSIC and the relevant event organisers in the German Pavilion at World Expo 2010 Shanghai, the PRC during 9-12 September 2010.

With the dedicated efforts of e-sports and management teams, e-sports has been widely broadcast in the media (including nationwide state-owned broadcast media) and has aroused public interest in Hong Kong and China. Through organising these events, it is noted that the e-sports tournaments were very well received by the public and had attracted extensive media exposure nationwide across China. In addition, many top officials, media and television stations attended these events, thereby demonstrating the attractiveness of this new form of official sport in China. Coupled with the fact that there is a large base of e-sports enthusiasts in China, the Board believes that there is enormous potential for further development of the rapidly growing e-sports market in China.

The Company is in the process of formulating long-term strategies and execution plans to capture and capitalise on this burgeoning business for sustainable development to the Group as a long-term business. As the sole official e-sports operator in the PRC, the Group will continue to leverage on its professional experience and management skills to contribute to the development of China's e-sports industry, thereby strengthening its leading position in the sports leisure and sports lottery in China. For details about the latest development of the Group's e-sports activities, please visit the Group's official e-sports website: www.e-sports.org.cn.

The Group is developing its potential as a leading sports lottery and sports leisure segment provider in the PRC. The Board recognises the worldwide trend in the merger of sports, sports media, sports development funding (sports lottery for example) and sports and general leisure markets. In China, all segments of the total sports industry are mainly governed and administrated by the central General Administration of Sport of China, including the fund raising arms such as the sports lottery and more recently the centralisation of the e-sports industry. Already the Group has expanded horizontally within the umbrella of the General Administration of Sport of China from the sports lottery to being the sole commercial operator for e-sports. The Board believes that the Group is best prepared to assist the sports authorities in the natural merger of sports and leisure by developing strategies and business solutions in the area of sports and sports lottery media. Accordingly, the Group has formed strategic alliances for new media projects in relation to the development of sports and sports lottery media and infotainment products for launch via mobile and telecommunication platforms of key operator(s) in the PRC. Such products are planned to cover most large-scale and popular sports events with rich and entertaining sports and sports lottery contents to satisfy the entertainment and information needs of sports enthusiasts and lottery public in the PRC. The Group believes that the new media project has huge market potential for further development in the future and can help strengthen the Group's position in the sports lottery and sports leisure field. Following the continuation and evaluation of trial media projects currently in 'soft' launch, the Group will enhance business plans and commercial models and advise the market on progress as required and appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

The Chinese government has constantly embarked on a number of initiatives to support sports lottery development, thereby enabling continued healthy growth in the PRC sports lottery market. The future lottery development in China will incline to the development of online and mobile betting business and the development will concentrate on betting games including real and virtual sports games and electronic scratch tickets. The Group considers that the growth momentum will be sustained well into the future and will continue to serve as a reliable provider of professional lottery products and services in China's lottery market to capitalise on the trend. Meanwhile, the Group will accelerate to seek the opportunities to carry out horizontal and vertical expansions such as extending its geographic reach to more provinces or cities, integrating the industry value chain, as well as developing new sports lottery terminals, systems and technologies, as lottery sale distribution and games increase.

The outlook for the next financial year is robust and the Directors are excited about the growth opportunities they see ahead. The Board strongly believes that the Group's solid business foundation, its customer and government relationships as well as its international gaming partnerships, and the advanced products and technological advantage of the Group will help it capture new potential opportunities and consolidate its leading position in the industry so as to maximise returns to the Shareholders.

In the future, the Group will continue to seek for more potential business partners and forge more strategic business alliances, with a view to increasing its market share and ultimately maximizing returns for Shareholders. Towards these ends, the Group will also continuously place great emphasis on maintaining close ties with major business partners.

REVIEW OF OPERATING RESULTS

Revenue and profitability

Revenue of the Group for the year under review amounted to approximately HK$105.1 million (for the six-month period ended 31 December 2009: revenue amounted to approximately HK$33.8 million). All revenue for the year under review was derived from provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) and sports and media business. During the year under review, the gross profit percentage stood at approximately 61.2% (for the six-month period ended 31 December 2009: the gross profit percentage was approximately 60.9%). The increase in gross profit percentage was due to the increase in revenue and effect of strict costs control measures carried out by the Group for the year.

Loss attributable to owners of the Company for the year under review amounted to approximately HK$37.8 million, primarily due to (i) the share-based payments (totalling approximately HK$6.1 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 Share-based Payment for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK$40.9 million).

Capital resources and liquidity

Net bank balances and cash as at 31 December 2010 were approximately HK$140.9 million (at 31 December 2009: approximately HK$141.5 million). The total assets and net current assets of the Group as at 31 December 2010 were approximately HK$1,087.2 million and approximately HK$202.9 million respectively (at 31 December 2009: approximately HK$1,036 million and approximately HK$201.2 million respectively).

During the year under review 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.

Capital commitments

	At 31 December 2010 HK$	At 31 December 2009 HK$
Contracted but not provided for:		
Research and development expenditures	**–**	1,241,861

Charges on Group's assets

As at 31 December 2010, there was no charge on the assets of the Group.

Foreign exchange exposure

As at 31 December 2010, the Group's bank deposits denominated in Hong Kong Dollars and Renminbi. 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 the Group faced minimal exchange rate risk during the year under review.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employees' information

As at 31 December 2010, the Group had 161 (at 31 December 2009: 167) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2010 amounted to approximately HK$24.0 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, Chairman & CEO

Mr. Sun Ho, aged 42, is the executive director, chairman & CEO, 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 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 market.

Mr. Sun was previously the CEO of China LotSynergy Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange, and 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 & Head of Gaming

Mr. Robert Geoffrey Ryan, aged 52, is the executive director and head of gaming of the Company. He is also the director of various subsidiaries of the Company, responsible for corporate strategic planning and business development.

Mr. Ryan brings to the Company over 18 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, online 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 44, is the executive director of the Company. He is also the director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

Mr. Bai has over 16 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 38, is the executive director of the Company. He also acts as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

Mr. Liang has approximately 15 years of law practice experience. Before joining the Company, 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 34, is the non-executive director of the Company.

Ms. Yang was elected as a member of the International Olympic Committee on 12 February 2010. She 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 session of the National Peoples 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, the PRC.

Biographical Details of Directors and Senior Management

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 65, is the First Advisory Officer of Beijing Budding Flower International Cultural Promotions Co., Ltd. and the chief representative of Treasury Holdings China Limited in Beijing. He has been appointed as independent non-executive director as well as member of each of the audit, remuneration and nomination committees of the Company since 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 42, is the Managing Director of BOCOM International (Asia) Limited. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 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, the managing director of investment banking of CLSA Equity Capital Markets Limited, the general manager of Cazenove 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 36, has over 14 years of local and overseas financial and general management experiences and has experience in the trading business in the PRC. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 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. With effect from 1 April 2009, Mr. Kwok resigned as chairman of Asia Coal Limited (formerly known as Nubrands Group Holdings Limited) but remained as its executive director. The issued shares of Asia Coal Limited 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 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), SYSTEK LTD and 北京思德泰科科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.), 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 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, Massachusetts, US.

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, US.

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 AGTech Interactive Information Technology (Shanghai) Co., Ltd., being indirect wholly-owned subsidiaries of the Company, responsible for business development, marketing and sales strategy planning, and supervision of daily operations.

Mr. Chen has over 20 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.), the 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 the 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 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

Mr. Wong Wai Sing

Mr. Wong Wai Sing is the company secretary, authorised representative and senior financial controller of the Company. Mr. Wong is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong holds a master degree in professional accounting from the Hong Kong Polytechnic University. He had over 20 years of experience worked for various multinational and Hong Kong listed companies. He possesses extensive professional experience in the financial and accounting functions. He also has over 7 years of experience practising as company secretary for companies listed on the Main Board and GEM Board of the Stock Exchange. Mr. Wong is responsible for overseeing the company secretarial, financial reporting and accounting functions of the Group.

Ms. Lo Kei Chi

Ms. Lo Kei Chi is the financial controller of the Company. Ms. Lo holds a bachelor degree in Arts from the University of Hong Kong. Ms. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia and has over 16 years of experience in accounting. Prior to joining the Company, Ms. Lo had worked as finance manager in a multinational company.

Ms. Lam Yan Tung Connie, CFA

Ms. Lam Yan Tung Connie, is the Vice President – Corporate Finance/Assistant to Chairman of the Company. Ms. Lam has extensive experience in corporate finance and investment banking, and is primarily responsible for the Group's mergers and acquisitions, corporate finance, project planning, investor relations and public communications. She started working for the Group's chairman & CEO in 2001 at Burwill Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange, and was involved in various equity investment and corporate finance projects. During the three-year period from 2004 to 2006, she worked for certain investment banking institutions in Hong Kong, providing advisory services to listed companies on initial public offerings, mergers and acquisitions, and other corporate finance activities. In 2006, Ms. Lam joined China LotSynergy Holdings Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange, and joined the Group in the same year.

Ms. Lam holds a bachelor degree of Business Administration (First Class Honours) from City University of Hong Kong and a master degree in Corporate Finance from the Hong Kong Polytechnic University. She is a Chartered Financial Analyst (CFA) charterholder and a member of the Hong Kong Society of Financial Analysts.

Biographical Details of Directors and Senior Management

Mr. Kwok Kei Wai

Mr. Kwok Kei Wai is the special assistant to executive directors of the Group. He joins the Group after working as Chief Consultant (PRC) for 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 31 years of gaming experiences at most levels within the industries and with the last 17 years based in the PRC. During his tenure in the PRC, Mr. Kwok has served as a marketing director (PRC) for Autotote Corp., managing director and general manager for Guangzhou SuiHua Technique Company (廣州穗華科技), managing director for 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 for Shanghai Lottery Information Company (上海申彩科技).

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.), an indirect 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 13 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. Gary McIlraith

Mr. Gary McIlraith, appointed as a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) in March 2011, is the Managing Director of Digital Channels, International and Group Strategy for Ladbrokes PLC, a major UK-listed international betting and gaming company. Prior to joining Ladbrokes in 2010, he was a Managing Director with AlixPartners, a global business restructuring and financial advisory firm. Previously in his career he served on the operating board of BSkyB PLC as Customer Operations Director and, prior to that, was a partner with KPMG.

Mr. Kevin Hopgood

Mr. Kevin Hopgood is a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.). He has over 36 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 Master's Degree in Business Administration from the University of Portsmouth in the United Kingdom and a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom. 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.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

CHANGE OF LAST COMPARATIVE FINANCIAL PERIOD

The financial year end date of the Company was changed from 30 June to 31 December commencing from the financial year 2009. Accordingly, the last comparative financial period covers only a six-month period from 1 July 2009 to 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on pages 63 and 64.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

RESERVES

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

The Company has no reserves available for distribution to the Shareholders at the end of each reporting period.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the year ended 31 December 2010 and past 4 financial period and years from the year ended 30 June 2007 is set out on page 140.

DIRECTORS

The Directors during the year under review 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. 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)

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. Robert Geoffrey Ryan, Mr. Bai Jinmin, Mr. Kwok Wing Leung Andy, Mr. Hua Fengmao and Mr. Wang Ronghua) 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 an 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 not less than one month's notice in writing.

Mr. Robert Geoffrey Ryan was appointed as an executive Director under a service agreement for a term of two years expiring on 30 April 2011 until being terminated by either party thereto giving the other party not less than three months' notice in writing.

Mr. Bai Jinmin was appointed as an executive Director under a service agreement for a term of two years expiring on 18 September 2011 until being terminated by either party thereto giving the other party not less than three months' notice in writing.

Mr. Liang Yu was appointed as an executive Director under a service agreement for a term of two years expiring on 22 April 2012 until being terminated by either party thereto giving the other party not less than three months' notice in writing.

Ms. Yang Yang was appointed as a non-executive Director under a service agreement for a term of two years expiring on 2 December 2011 until being 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 two years expiring on 18 July 2012 until being 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 under review or at any time during the year under review.

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

As at 31 December 2010, the interests and short positions of the Directors and chief executives 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:

	Number of Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Approximate percentage held**
Mr. Sun Ho	27,078,000	2,006,250,000 *(Note 1)*	2,033,328,000	55.28%
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	3,343,750	44,876,600 *(Note 2)*	48,220,350	1.31%
Mr. Liang Yu	3,343,750	–	3,343,750	0.09%
Ms. Yang Yang	734,375	–	734,375	0.02%
Mr. Wang Ronghua	2,275,000	–	2,275,000	0.06%
Mr. Hua Fengmao	1,355,000	–	1,355,000	0.04%

Notes:

1. *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, chairman & CEO of the Company, Mr. Sun was deemed to be interested in such Shares.*

2. *These 44,876,600 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 is in turn beneficially and wholly-owned by Mr. Bai Jinmin, an Executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.*

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):

	Number of underlying Shares entitled (in respect of share options of the Company)							
Name of Director	Date of grant	Exercise price per Share HK$	Exercisable period *(Note)*	As at 1 January 2010	Granted during the year	Exercised during the year	Forfeited during the year	As at 31 December 2010
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2013	13,375,000	–	(3,343,750)	–	10,031,250 (representing approximately 0.27% of the issued share capital of the Company)
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2013	13,375,000	–	(3,343,750)	–	10,031,250 (representing approximately 0.27% of the issued share capital of the Company)
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2013	13,375,000	–	(3,343,750)	–	10,031,250 (representing approximately 0.27% of the issued share capital of the Company)
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2013	1,337,500	–	(334,375)	–	1,003,125 (representing approximately 0.027% of the issued share capital of the Company)

Note: 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/her, such portion of the option will lapse.

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executives 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review 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 AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, so far as was known to the Directors or chief executives 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 5% 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:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner *(Note)*	2,006,250,000	54.40%
TIG Advisors LLC	Investment manager	224,643,000	6.11%

Note: 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.

Save as disclosed above, as at 31 December 2010, the Directors or chief executives 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 5% 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 OF OTHER PERSONS

As at 31 December 2010, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives 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.

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 maintained sufficient public float of the Shares, representing no 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 under review 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 under review.

MAJOR CUSTOMERS AND SUPPLIERS

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

– the largest customer	76.00%
– five largest customers combined	98.63%

The total purchases for the year under review was attributable to a single supplier of the Group.

At no time during the year under review 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 customers or suppliers.

INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

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 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 performance, 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 decided by the remuneration committee, having regard to the Company'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 financial statements of the Group for the year ended 31 December 2010 have been reviewed and commented on by the audit committee.

AUDITORS

HLB Hodgson Impey Cheng, the auditors of the Company, will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sun Ho
Chairman & CEO

23 March 2011

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 63 to 139, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

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 of consolidated financial statements that give a true and fair view 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.

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 31 December 2010, 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 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Continuing operations			
Revenue	7	**105,143,580**	33,822,293
Cost of sales and services		**(40,782,791)**	(13,236,893)
Gross profit		**64,360,789**	20,585,400
Investment and other income	9	**1,102,253**	1,327,959
Other gains and losses	10	**970,582**	(8,380)
Selling and administrative expenses		**(70,846,906)**	(42,265,433)
Share of profits of an associate	21	**5,153,835**	–
Profit/(loss) from business operations		**740,553**	(20,360,454)
Share-based payments		**(6,122,251)**	(12,848,042)
Net foreign exchange (loss)/gain		**(74,700)**	1,209,532
Amortisation of other intangible assets	20	**(40,904,060)**	(19,656,315)
Loss before tax		**(46,360,458)**	(51,655,279)
Income tax	11	**5,345,881**	3,290,160
Loss for the year/period from continuing operations	13	**(41,014,577)**	(48,365,119)
Discontinued operation	12		
Profit for the year/period from discontinued operation		**–**	8,897,185
Loss for the year/period		**(41,014,577)**	(39,467,934)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		**34,680,218**	1,152,733
Exchange differences released upon disposals of subsidiaries		**353,719**	25,580
Share of other comprehensive income of an associate	21	**1,550,991**	–
Other comprehensive income for the year/period, net of income tax		**36,584,928**	1,178,313
Total comprehensive income for the year/period		**(4,429,649)**	(38,289,621)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Loss attributable to:			
Owners of the Company		**(37,798,646)**	(35,370,999)
Non-controlling interests		**(3,215,931)**	(4,096,935)
		(41,014,577)	(39,467,934)
Total comprehensive income attributable to:			
Owners of the Company		**(1,244,408)**	(34,195,430)
Non-controlling interests		**(3,185,241)**	(4,094,191)
		(4,429,649)	(38,289,621)
Loss per Share	16		
From continuing and discontinued operations			
Basic and diluted		**HK1.04 cents**	HK0.99 cent
From continuing operations			
Basic and diluted		**HK1.04 cents**	HK1.24 cents

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	At 31 December 2010 HK$	At 31 December 2009 HK$
Non-current assets			
Property, plant and equipment	17	**15,474,499**	21,665,730
Goodwill	18	**688,498,150**	663,365,373
Other intangible assets	20	**62,864,771**	100,391,297
Interest in an associate	21	**52,124,417**	–
Deposits and prepayments	24	**33,358,991**	41,283,167
Other assets		**1,676,594**	1,615,392
		853,997,422	828,320,959
Current assets			
Trade receivables	22	**37,595,399**	17,452,520
Other receivables, deposits and prepayments	24	**54,741,888**	48,714,279
Bank balances and cash	25	**140,867,489**	141,520,650
		233,204,776	207,687,449
Current liabilities			
Trade payables	26	**6,444,817**	–
Accruals and other payables	27	**20,011,359**	6,157,466
Amount due to an associate	21	**1,285,310**	–
Current tax liabilities		**2,560,234**	290,489
		30,301,720	6,447,955
Net current assets		**202,903,056**	201,239,494
Total assets less current liabilities		**1,056,900,478**	1,029,560,453
Non-current liabilities			
Deferred tax liabilities	28	**14,723,425**	24,018,011
Net assets		**1,042,177,053**	1,005,542,442
Capital and reserves			
Share capital	29	**7,356,321**	7,163,670
Reserves		**1,031,896,094**	995,318,893
Equity attributable to owners of the Company		**1,039,252,415**	1,002,482,563
Non-controlling interests		**2,924,638**	3,059,879
Total equity		**1,042,177,053**	1,005,542,442

The consolidated financial statements were approved and authorised for issue by the Board on 23 March 2011 and were signed on its behalf by:

Sun Ho
Director

Robert Geoffrey Ryan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital HK$ (Note 29)	Share premium HK$	Share options reserve HK$	Statutory reserve HK$ (Note (a))	Exchange reserve HK$	Contributed surplus HK$ (Note (b))	Accumulated losses HK$	Subtotal HK$	Attributable to non-controlling interests HK$	Total HK$
Balance at 1 July 2009	7,162,670	998,843,599	225,399,349	310,757	87,951,225	58,299,875	(343,139,025)	1,034,828,450	2,254,070	1,037,082,520
Loss for the period	–	–	–	–	–	–	(35,370,999)	(35,370,999)	(4,096,935)	(39,467,934)
Other comprehensive income for the period	–	–	–	–	1,175,569	–	–	1,175,569	2,744	1,178,313
Total comprehensive income for the period	–	–	–	–	1,175,569	–	(35,370,999)	(34,195,430)	(4,094,191)	(38,289,621)
Recognition of equity-settled share-based payments	–	–	12,848,042	–	–	–	–	12,848,042	–	12,848,042
Shares issued on exercise of part of share options	1,000	705,967	(597,067)	–	–	–	–	109,900	–	109,900
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	4,900,000	4,900,000
Transfer to profit or loss on disposal of a subsidiary	–	–	–	(292,038)	–	–	292,038	–	–	–
Released upon disposal of subsidiaries *(Note 36)*	–	–	–	–	–	(11,108,399)	–	(11,108,399)	–	(11,108,399)
Transfer from accumulated losses	–	–	–	1,138,751	–	–	(1,138,751)	–	–	–
Balance at 31 December 2009	7,163,670	999,549,566	237,650,324	1,157,470	89,126,794	47,191,476	(379,356,737)	1,002,482,563	3,059,879	1,005,542,442

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital HK$ (Note 29)	Share premium HK$	Share options reserve HK$	Statutory reserve HK$ (Note (a))	Exchange reserve HK$	Contributed surplus HK$ (Note (b))	Accumulated losses HK$	Subtotal HK$	Attributable to non-controlling interests HK$	Total HK$
Balance at 1 January 2010	7,163,670	999,549,566	237,650,324	1,157,470	89,126,794	47,191,476	(379,356,737)	1,002,482,563	3,059,879	1,005,542,442
Loss for the year	–	–	–	–	–	–	(37,798,646)	(37,798,646)	(3,215,931)	(41,014,577)
Other comprehensive income for the year	–	–	–	–	36,554,238	–	–	36,554,238	30,690	36,584,928
Total comprehensive income for the year	–	–	–	–	36,554,238	–	(37,798,646)	(1,244,408)	(3,185,241)	(4,429,649)
Recognition of equity-settled share-based payments	–	–	6,122,251	–	–	–	–	6,122,251	–	6,122,251
Shares issued on exercise of part of share options	76,863	53,721,556	(45,353,480)	–	–	–	–	8,444,939	–	8,444,939
Lapse of share options	–	–	(10,225,771)	–	–	–	10,225,771	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	3,050,000	3,050,000
Issue of Shares upon acquisition of subsidiaries *(Note 35)*	115,788	23,331,282	–	–	–	–	–	23,447,070	–	23,447,070
Transfer from accumulated losses	–	–	–	1,977,435	–	–	(1,977,435)	–	–	–
Balance at 31 December 2010	7,356,321	1,076,602,404	188,193,324	3,134,905	125,681,032	47,191,476	(408,907,047)	1,039,252,415	2,924,638	1,042,177,053

Notes:

(a) In accordance with the 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
From continuing operations		**(46,360,458)**	(51,655,279)
From discontinued operation		**–**	8,897,185
Adjustments for:			
Share of profits of an associate		**(5,153,835)**	–
Expenses recognised in respect of equity-settled share-based payments		**6,122,251**	12,848,042
Depreciation of property, plant and equipment		**7,283,133**	3,742,180
Amortisation of other intangible assets		**40,904,060**	19,656,315
Loss on disposal of property, plant and equipment		**427,409**	38,241
Impairment losses recognised on amounts due from customers for contract work		**–**	1,539,009
Impairment losses recognised on other receivables, deposits and prepayments		**–**	148,136
Net losses/(gains) on disposals of subsidiaries		**353,719**	(10,881,260)
Bank interest income		**(938,487)**	(1,327,959)
Movements in working capital		**2,637,792**	(16,995,390)
Decrease in deposits and prepayments		**7,924,176**	4,892,499
Increase in trade receivables		**(20,142,879)**	(7,930,050)
Increase in other receivables, deposits and prepayments		**(2,587,964)**	(13,554,612)
Increase/(decrease) in trade payables		**6,444,817**	(430,297)
Increase in other payables, accruals and deposits received		**4,259,075**	1,659,609
Increase in amount due to an associate		**1,285,310**	–
Cash used in operations		**(179,673)**	(32,358,241)
Income taxes paid		**(2,530,614)**	(2,540,021)
NET CASH USED IN OPERATING ACTIVITIES		**(2,710,287)**	(34,898,262)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**938,487**	1,327,959
Dividend received from an associate		**2,457,840**	–
Payments for other intangible assets		**–**	(209,026)
Payments for property, plant and equipment		**(1,449,141)**	(391,720)
Proceeds from disposal of property, plant and equipment		**608,141**	45,228
Net cash outflows on acquisition of subsidiaries	35	**(18,278,494)**	–
Net cash outflow on disposal of subsidiaries	36	**–**	(1,047,343)
Decrease in pledged bank deposits		**–**	181,217
NET CASH USED IN INVESTING ACTIVITIES		**(15,723,167)**	(93,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares		**8,444,939**	109,900
Capital contributed by non-controlling interests		**3,050,000**	4,900,000
NET CASH GENERATED BY FINANCING ACTIVITIES		**11,494,939**	5,009,900
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,938,515)**	(29,982,047)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**141,520,650**	171,706,715
EFFECT OF EXCHANGE RATE CHANGES		**6,285,354**	(204,018)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		**140,867,489**	141,520,650
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**140,867,489**	141,520,650

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 31 December 2010, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands ("BVI"), 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 provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of lottery advisory service and sports and media business in the PRC. Details of the principal activities of such principal subsidiaries are set out in Note 37.

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.

The Company announced on 10 December 2009 that the financial year end date of the Company was changed from 30 June to 31 December commencing from the financial year 2009. Accordingly, the consolidated financial statements for the current year covered the twelve-month period from 1 January 2010 to 31 December 2010. The corresponding comparative figures shown for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes covered the six-month period from 1 July 2009 to 31 December 2009 and therefore may not be comparable with amounts shown for the current year.

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

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (relating to the classification and measurement of financial assets)
HK-Int 4 (Amendments)	Amendment to HK Interpretation 4 Lease – Determination of Amendment the Length of Lease Term in respect of Hong Kong Land Lease
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current year and prior accounting period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2011.*
5 *Effective for annual periods beginning on or after 1 July 2011.*
6 *Effective for annual periods beginning on or after 1 January 2012.*
7 *Effective for annual periods beginning on or after 1 January 2013.*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of assessing the impact of other new and revised HKFRSs on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 July 2009

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

***Changes in the Group's ownership interests in existing subsidiaries** (continued)*

Changes in the Group's ownership interests in existing subsidiaries prior to 1 July 2009

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 July 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable net assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

***Business combinations that took place on or after 1 July 2009** (continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place prior to 1 July 2009

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the 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 an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 course of ordinary activities, net of discounts and sales related taxes.

Revenue from projects involving the provision of lottery advisory service 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 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 (and accessories) is recognised when the sports lottery sales terminals are supplied to the customers.

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 method over the contracted period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount 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 the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under amounts due from contracted customers.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised 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 entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting 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) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Share options granted to Directors, eligible employees and other eligible participants in an equity-based payment transaction

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 retained earnings.

Share options granted to a consultant in an equity-based payment transaction

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

Taxation

Taxation represents the sum of 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 statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Software licences

Expenditure on acquisition of software licences is measured initially at cost and amortised on a straight-line method over their estimated useful lives or licensing period, whichever is shorter.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and interests paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade payables, accruals and other payables and amount due to an associate) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and interests paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers a financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current year and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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 calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rates in order to calculate the present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2010, the carrying amount of goodwill is HK$688,498,150 (at 31 December 2009: HK$663,365,373). Details of the recoverable amount calculation are disclosed in Note 19.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of intangible assets acquired in business combinations

At the end of the reporting period, management reconsidered the recoverability of the intangible assets arising from the acquisitions of subsidiaries, in which the carrying amount at 31 December 2010 is HK$58,893,704 (at 31 December 2009: HK$96,072,050). The businesses of the related subsidiaries continue to progress in a satisfactory manner. Sensitivity analysis has been carried out by management and no impairment is considered necessary at 31 December 2010. Adjustment will be made in future periods if future market activities indicate that adjustments for impairment are appropriate.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the 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 period.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables and amount due to an associate), cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital and reserves).

Net debt to equity ratio

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.

The net debt to equity ratio at the end of the reporting period was as follows:

	At 31 December 2010 HK$	At 31 December 2009 HK$
Debt	**27,741,486**	6,157,466
Less: Cash and cash equivalents	**140,867,489**	141,520,650
Net debt	**(113,126,003)**	(135,363,184)
Equity attributable to owners of the Company	**1,039,252,415**	1,002,482,563
Net debt to equity ratio	**N/A**	N/A

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For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Notes	At 31 December 2010 HK$	At 31 December 2009 HK$
Financial assets			
Loans and receivables			
Trade receivables	22	**37,595,399**	17,452,520
Financial assets included in other receivables, deposits and prepayments	24	**44,189,405**	36,934,578
Bank balances and cash	25	**140,867,489**	141,520,650
		222,652,293	195,907,748
Financial liabilities			
Financial liabilities at amortised cost			
Trade payables	26	**6,444,817**	–
Financial liabilities included in accruals and other payables	27	**18,482,602**	5,397,644
Amount due to an associate	21	**1,285,310**	–
		26,212,729	5,397,644

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, trade payables, accruals and other payables and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks 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.

There has been no significant change to the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risks

Currency risk

Transactional currency exposures arise from revenue or cost of sales and services by operating units in currencies other than the units' functional currency. Substantially all the Group's revenue and cost of sales and services are denominated in the functional currency of the operating units making the revenue, and substantially all the costs of sales and services 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.

6. FINANCIAL INSTRUMENTS (continued)

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

***Market risks** (continued)*

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 has 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 at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 the end of the reporting period 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.

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 end of the reporting period, the Group has certain concentrations of credit risk as 69% (at 31 December 2009: 83%) and 99% (at 31 December 2009: 99%) 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 22.

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For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS (continued)

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

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$
At 31 December 2010				
Non-derivative financial liabilities				
Trade payables	**6,444,817**	**–**	**6,444,817**	**6,444,817**
Accruals and other payables	**18,482,602**	**–**	**18,482,602**	**18,482,602**
Amount due to an associate	**1,285,310**	**–**	**1,285,310**	**1,285,310**
	26,212,729	**–**	**26,212,729**	**26,212,729**
At 31 December 2009				
Non-derivative financial liabilities				
Accruals and other payables	5,397,644	–	5,397,644	5,397,644

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments (continued)

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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reconciliation of Level 3 fair value measurements of financial assets

	At 31 December 2010 HK$
Dual currencies investments	
Opening balance	–
Gains recognised in profit and loss	1,324,301
Purchases	191,394,920
Settlements	(192,719,221)
Closing balance	–

The table above only includes financial assets.

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For the year ended 31 December 2010

7. REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of lottery advisory service and sports and media business in the PRC for the year/period, and is analysed as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Revenue in respect of provision of management and marketing consultancy services to the SLACs and authorised operators of the sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs for certain provinces and sports and media business in the PRC	**105,143,580**	33,822,293

8. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and assessment of segments performance focuses on types of goods or services delivered or provided.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

- Sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) and sports and media business – 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 provinces and sports and media business in the PRC ("Consultancy services").

- Lottery information technology solutions – provision of lottery advisory service to authorised operator of lottery in the PRC ("Information technology solutions").

An operation (Enterprise solutions – provision of information technology management solutions which include design and installation of digital image processing system, sales of computer software products and related maintenance services ("Enterprise solutions")) discontinued in the prior period. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in Note 12.

Information regarding the Group's reportable segments is presented below.

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2010

	Consultancy services HK$	Information technology solutions HK$	Total for continuing operations HK$
Segment revenue and results			
Revenue	105,143,580	–	105,143,580
Share of profits of an associate	5,153,835	–	5,153,835
Segment loss	(10,761,956)	(5,500,551)	(16,262,507)
Bank interest income			938,487
Share-based payments			(6,122,251)
Central administration costs			(24,914,187)
Loss before tax (continuing operations)			(46,360,458)
Segment assets and liabilities			
Segment assets	1,031,612,204	11,686,476	1,043,298,680
Unallocated corporate assets			43,903,518
Consolidated assets			1,087,202,198
Segment liabilities	31,748,134	1,645,054	33,393,188
Unallocated corporate liabilities			11,631,957
Consolidated liabilities			45,025,145
Other segment information			
Additions to non-current assets*	49,237,342	4,682	49,242,024
Additions to non-current assets* (unallocated)			87,854
Amortisation of other intangible assets	39,303,895	1,600,165	40,904,060
Depreciation of property, plant and equipment	6,462,797	486,548	6,949,345
Depreciation of property, plant and equipment (unallocated)			333,788

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For the year ended 31 December 2010

8. SEGMENT INFORMATION (continued)

For the six-month period ended 31 December 2009

	Consultancy services HK$	Information technology solutions HK$	Total for continuing operations HK$
Segment revenue and results			
Revenue	33,822,293	–	33,822,293
Segment loss	(20,358,781)	(3,213,893)	(23,572,674)
Bank interest income			1,327,959
Share-based payments			(12,848,042)
Central administration costs			(16,562,522)
Loss before tax (continuing operations)			(51,655,279)
Segment assets and liabilities			
Segment assets	937,244,997	14,269,259	951,514,256
Unallocated corporate assets			84,494,152
Consolidated assets			1,036,008,408
Segment liabilities	28,190,058	682,283	28,872,341
Unallocated corporate liabilities			1,593,625
Consolidated liabilities			30,465,966
Other segment information			
Additions to non-current assets*	372,071	209,026	581,097
Additions to non-current assets* (unallocated)			10,000
Amortisation of other intangible assets	19,093,653	562,662	19,656,315
Depreciation of property, plant and equipment	3,115,472	368,913	3,484,385
Depreciation of property, plant and equipment (unallocated)			237,951

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2010 (for the six-month period ended 31 December 2009: nil).

8. SEGMENT INFORMATION (continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss generated by each segment without allocation of central administration costs, share-based payments, bank interest income and income tax. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than unallocated corporate assets are allocated to reportable segments. Goodwill is allocated to reportable segments as described in Note 19; and

- all liabilities other than unallocated corporate liabilities and current tax liabilities are allocated to reportable segments.

Revenue from major services

The Group's revenue from continuing operations from its major services is as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Consultancy services	**105,143,580**	33,822,293

Geographical information

The Group's operations are located in the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical locations are detailed below:

	Revenue from external customers		**Non-current assets***	
	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$	**At 31 December 2010 HK$**	At 31 December 2009 HK$
PRC	**105,143,580**	33,822,293	**846,374,740**	818,257,027
Hong Kong	**–**	–	**7,622,682**	10,063,932
	105,143,580	33,822,293	**853,997,422**	828,320,959

* *Non-current assets excluding those relating to Enterprise solutions operation.*

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8. SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Customer A	**79,908,833**	24,806,385
Customer B	**N/A[1]**	3,448,922
	79,908,833	28,255,307

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group in current year.

9. INVESTMENT AND OTHER INCOME

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Continuing operations		
Interest income on bank deposits	**938,487**	1,327,959
Sundry income	**163,766**	–
	1,102,253	1,327,959

10. OTHER GAINS AND LOSSES

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Continuing operations		
Gains arising on change in fair value of financial assets designated as at FVTPL	**1,324,301**	–
Net losses on disposals of subsidiaries *(Note 36)*	**(353,719)**	(8,380)
	970,582	(8,380)

11. INCOME TAX (FROM CONTINUING OPERATIONS)

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Current tax:		
– PRC Enterprise Income Tax	**4,524,833**	1,196,080
Underprovision of current tax in prior periods		
– PRC Enterprise Income Tax	**244,817**	427,839
Deferred tax *(Note 28)*:		
– Current year/period	**(10,115,531)**	(4,914,079)
Total income tax recognised in profit or loss	**(5,345,881)**	(3,290,160)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current year and prior period.

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in or derived from Hong Kong for the year ended 31 December 2010 and six-month period ended 31 December 2009.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both current year and prior period.

The tax charge for the year/period can be reconciled to loss before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Loss before tax (from continuing operations)	**(46,360,458)**	(51,655,279)
Tax at domestic income tax rate *(Note)*	**(8,645,796)**	(10,091,270)
Tax effect of expenses not deductible for tax purpose	**13,085,290**	5,954,594
Tax effect of income not taxable for tax purpose	**(6,276,980)**	(260,790)
Tax effect of unrecognised estimated tax losses	**6,362,319**	5,593,546
Underprovision in prior periods	**244,817**	427,839
Reversal of temporary differences	**(10,115,531)**	(4,914,079)
	(5,345,881)	(3,290,160)

Note: The applicable tax rates for the PRC and Hong Kong are 25% and 16.5% (for the six-month period ended 31 December 2009: 25% and 16.5%) respectively.

12. DISCONTINUED OPERATION

Disposal of Enterprise solutions operation

On 19 November 2009, the Company entered into a sale agreement to dispose of MegaInfo Limited and its subsidiaries (the "MegaInfo Group"), which carried out all of the Group's Enterprise solutions operation. The disposal of the Enterprise solutions operation is consistent with the Group's long-term policy to focus its activities on Consultancy services operation and Information technology solutions operation. The disposal was completed on 19 November 2009, on which date control of the Enterprise solutions operation passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 36.

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Profit for the year/period from discontinued operation		
Revenue	–	340,447
Cost of sales and services	–	(71,813)
Bank interest income	–	605
Other income	–	34,810
Selling and administrative expenses	–	(2,296,063)
Net foreign exchange loss	–	(441)
Loss before tax	–	(1,992,455)
Attributable income tax	–	–
	–	(1,992,455)
Gain on disposal of discontinued operation (including HK$17,200 and HK$11,108,399 released from exchange reserve and contributed surplus respectively from equity to profit or loss on disposal of discontinued operation *(Note 36)*)	–	10,889,640
Profit for the year/period from discontinued operation (attributable to owners of the Company)	–	8,897,185

12. DISCONTINUED OPERATION (continued)

Disposal of Enterprise solutions operation (continued)

Profit for the year/period from discontinued operation has been arrived at after charging:

	Year ended 31 December 2010 HK$	Six-months period ended 31 December 2009 HK$
Auditors' remuneration	–	–
Depreciation of property, plant and equipment	–	19,844
Impairment losses recognised on amounts due from customers for contract work	–	1,539,009
Impairment losses recognised on other receivables, deposits and prepayments	–	148,136
Operating lease rentals in respect of rented premises	–	52,656
Fees, salaries, discretionary bonuses and other benefits	–	336,702
Social security costs	–	8,392
	–	345,094
Cash flows from discontinued operation		
Net cash inflows from operating activities	–	6,073
Net cash inflows from investing activities	–	178,769
Net cash inflows	–	184,842

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13. LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

Loss for the year/period from continuing operations is attributable to:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Owners of the Company	**(37,798,646)**	(44,268,184)
Non-controlling interests	**(3,215,931)**	(4,096,935)
	(41,014,577)	(48,365,119)

Loss for the year/period from continuing operations has been arrived at after charging:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Auditors' remuneration	**800,000**	500,000
Depreciation of property, plant and equipment	**7,283,133**	3,722,336
Net losses on disposals of property, plant and equipment	**427,409**	38,241
Operating lease rentals in respect of rented premises	**5,281,550**	2,347,523
Employee benefit expense, including Directors' remunerations *(Note 14)*:		
Fees, salaries, discretionary bonuses and other benefits	**27,991,659**	12,768,115
Share-based payments	**7,660,710**	5,955,742
Social security costs	**2,714,773**	1,246,622
Retirement benefit schemes contributions	**124,714**	59,054
	38,491,856	20,029,533

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight Directors (for the six-month period ended 31 December 2009: eight) were as follows:

For the year ended 31 December 2010

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefit schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	3,600,000	300,000	–	12,000	3,912,000
Mr. Robert Geoffrey Ryan	2,093,532	138,461	1,263,923	–	3,495,916
Mr. Bai Jinmin	1,436,175	246,820	1,849,357	12,000	3,544,352
Mr. Liang Yu	1,223,959	234,080	1,421,412	67,777	2,947,228
Non-executive Director:					
Ms. Yang Yang	200,000	–	142,141	–	342,141
Independent non-executive Directors:					
Mr. Wang Ronghua	100,000	–	–	–	100,000
Mr. Hua Fengmao	100,000	–	–	–	100,000
Mr. Kwok Wing Leung Andy	100,000	–	–	–	100,000
Total emoluments	8,853,666	919,361	4,676,833	91,777	14,541,637

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14. DIRECTORS' EMOLUMENTS (continued)

For the six-month period ended 31 December 2009

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefit schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	1,800,000	150,000	–	6,000	1,956,000
Mr. Robert Geoffrey Ryan	1,046,766	51,228	901,631	–	1,999,625
Mr. Bai Jinmin	600,000	–	1,283,577	6,000	1,889,577
Mr. Liang Yu	608,229	20,946	880,687	13,646	1,523,508
Non-executive Director:					
Ms. Yang Yang	100,000	–	88,069	–	188,069
Independent non-executive Directors:					
Mr. Wang Ronghua	50,000	–	–	–	50,000
Mr. Hua Fengmao	50,000	–	–	–	50,000
Mr. Kwok Wing Leung Andy	50,000	–	–	–	50,000
Total emoluments	4,304,995	222,174	3,153,964	25,646	7,706,779

During the year/period, 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/period.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (for the six-month period ended 31 December 2009: four) were Directors whose emoluments are included in Note 14 above. The emoluments of the remaining one (for the six-month period ended 31 December 2009: one) highest paid individual were as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Salaries and other benefits	**582,628**	286,384
Discretionary bonus	**59,180**	–
Share-based payments	**1,263,923**	901,631
	1,905,731	1,188,015

The emoluments were within the following bands:

	Year ended 31 December 2010 Number of employees	Six-month period ended 31 December 2009 Number of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	1	1

During the year/period, 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.

16. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company from continuing and discontinued operations for the year ended 31 December 2010 of HK$37,798,646 (for the six-month period ended 31 December 2009: HK$35,370,999) and the weighted average number of 3,635,773,860 Shares (for the six-month period ended 31 December 2009: 3,581,563,261 Shares) in issue during the year ended 31 December 2010.

The computation of the diluted loss per Share does not assume the exercises of the Company's share options as their exercises would decrease the loss per Share of both current year and prior period.

From continuing operations

The calculation of the basic and diluted loss per Share attributable to owners of the Company from continuing operations is based on the following data:

Loss figures are calculated as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Loss for the year/period attributable to owners of the Company from continuing and discontinued operations	**(37,798,646)**	(35,370,999)
Less:		
Profit for the year/period from discontinued operation *(Note 12)*	**–**	8,897,185
Loss for the purpose of basic/diluted loss per Share from continuing operations	**(37,798,646)**	(44,268,184)

The denominators used are the same as those detailed above for both basic and diluted loss per Share.

The computation of the diluted loss per Share does not assume the exercises of the Company's share options as their exercises would decrease the loss per Share of both current year and prior period.

16. LOSS PER SHARE (continued)

From discontinued operation

The calculation of the basic and diluted earnings per Share attributable to owners of the Company from discontinued operation is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December 2010 HK$	Period ended 19 November 2009 HK$
Profit attributable to owners of the Company for the year/period from discontinued operation *(Note 12)*	–	8,897,185

	Year ended 31 December 2010	Period ended 19 November 2009
Number of Shares		
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	**3,635,773,860**	3,581,482,887
Effect of dilutive potential ordinary Shares:		
Share options	–	77,490,621
Weighted average number of ordinary Shares for the purpose of calculating diluted earnings per Share	**3,635,773,860**	3,658,973,508

The calculation of the diluted earnings per Share from discontinued operation for six-month ended 31 December 2009 has taken into account the share options outstanding during the period. Since the exercise price of certain share options during the six-month period ended 31 December 2009 was lower than the fair market value of the ordinary shares, the share options outstanding during the period had a dilutive effect on the Company.

The computation of the diluted earnings per Share from discontinued operations for the year ended 31 December 2010 does not assume the exercises of the Company's share options as their exercises would increase the earnings per Share of the year.

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17. PROPERTY, PLANT AND EQUIPMENT

	Building	Sports lottery sales terminals	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
COST							
Balance at 1 July 2009	837,528	18,238,872	3,870,310	4,203,929	2,235,756	7,340,874	36,727,269
Additions	–	–	166,024	136,645	89,051	–	391,720
Disposals	–	(18,194)	–	(16,477)	(67,447)	(6,527)	(108,645)
Derecognised on disposal of subsidiaries	–	–	(1,549,650)	(845,243)	(106,190)	–	(2,501,083)
Effect of foreign currency exchange differences	1,474	32,115	3,291	6,450	2,615	9,854	55,799
Balance at 31 December 2009	839,002	18,252,793	2,489,975	3,485,304	2,153,785	7,344,201	34,565,060
Additions	–	–	24,032	1,303,841	72,778	48,490	1,449,141
Disposals	–	(1,018,833)	(12,043)	(323,344)	(306,075)	(144,826)	(1,805,121)
Acquisition of subsidiaries	–	–	–	3,306	–	–	3,306
Effect of foreign currency exchange differences	31,787	682,573	75,945	105,689	54,552	179,066	1,129,612
Balance at 31 December 2010	870,789	17,916,533	2,577,909	4,574,796	1,975,040	7,426,931	35,341,998
DEPRECIATION							
Balance at 1 July 2009	41,876	3,532,428	2,714,272	2,513,502	1,126,062	1,686,334	11,614,474
Depreciation expense	20,967	1,826,171	344,359	521,659	241,602	787,422	3,742,180
Eliminated on disposals of assets	–	(5,458)	–	(9,146)	(10,572)	–	(25,176)
Eliminated on disposal of subsidiaries	–	–	(1,538,898)	(803,166)	(104,182)	–	(2,446,246)
Effect of foreign currency exchange differences	82	6,942	1,371	2,408	865	2,430	14,098
Balance at 31 December 2009	62,925	5,360,083	1,521,104	2,225,257	1,253,775	2,476,186	12,899,330
Depreciation expense	43,160	3,738,243	801,962	749,184	348,311	1,602,273	7,283,133
Eliminated on disposals of assets	–	(450,308)	(12,043)	(153,999)	(92,877)	(60,344)	(769,571)
Effect of foreign currency exchange differences	2,764	232,011	46,350	62,784	26,510	84,188	454,607
Balance at 31 December 2010	108,849	8,880,029	2,357,373	2,883,226	1,535,719	4,102,303	19,867,499
CARRYING AMOUNTS							
Balance at 31 December 2010	761,940	9,036,504	220,536	1,691,570	439,321	3,324,628	15,474,499
Balance at 31 December 2009	776,077	12,892,710	968,871	1,260,047	900,010	4,868,015	21,665,730

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line method 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	:	20% – 50%
Furniture, fixtures and equipment	:	20% – $33^{1}/_{3}$%
Motor vehicles	:	10% – 25%

The Group's building was situated in the PRC and held under medium term lease.

18. GOODWILL

	HK$
COST	
Balance at 1 July 2009	662,199,119
Effect of foreign currency exchange differences	1,166,254
Balance at 31 December 2009	663,365,373
Effect of foreign currency exchange differences	25,132,777
Balance at 31 December 2010	688,498,150
CARRYING AMOUNTS	
Balance at 31 December 2010	688,498,150
Balance at 31 December 2009	663,365,373

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

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19. IMPAIRMENT TESTING ON GOODWILL

Goodwill has been allocated for impairment testing purpose to the following cash-generating units (the "CGUs"):

- Information technology solutions
- Consultancy services

The carrying amounts of goodwill were allocated to the CGUs as follows:

	At 31 December 2010 HK$	At 31 December 2009 HK$
Information technology solutions	**3,022,511**	2,912,179
Consultancy services	**685,475,639**	660,453,194
	688,498,150	663,365,373

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

Information technology 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 period of 5 years and a discount rate of 18.22% per annum (for the six-month period ended 31 December 2009: 15.52%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year/period. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Consultancy services

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 period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% growth rate and a discount rate of 18.22% per annum (for the six-month period ended 31 December 2009: 15.52%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year/period. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent valuer.

During the year ended 31 December 2010 and the six-month period ended 31 December 2009, management of the Group determined that there were no impairments of goodwill.

20. OTHER INTANGIBLE ASSETS

	Club membership HK$	Capitalised development costs HK$	Software licences HK$	Non-competition agreements HK$	Contracted Customer HK$	Total HK$
COST						
Balance at 1 July 2009	1,741,936	2,364,123	11,467,290	5,618,949	190,676,325	211,868,623
Additions	–	209,026	–	–	–	209,026
Derecognised on disposal of subsidiaries	–	–	(11,467,290)	–	–	(11,467,290)
Effect of foreign currency exchange differences	–	4,162	–	9,896	335,816	349,874
Balance at 31 December 2009	1,741,936	2,577,311	–	5,628,845	191,012,141	200,960,233
Effect of foreign currency exchange differences	–	97,646	–	213,259	7,236,835	7,547,740
Balance at 31 December 2010	1,741,936	2,674,957	–	5,842,104	198,248,976	208,507,973
AMORTISATION AND IMPAIRMENT						
Balance at 1 July 2009	–	–	11,467,290	2,903,124	77,859,481	92,229,895
Amortisation expense	–	–	–	562,662	19,093,653	19,656,315
Eliminated on disposal of subsidiaries	–	–	(11,467,290)	–	–	(11,467,290)
Effect of foreign currency exchange differences	–	–	–	5,335	144,681	150,016
Balance at 31 December 2009	–	–	–	3,471,121	97,097,815	100,568,936
Amortisation expense	–	441,937	–	1,158,228	39,303,895	40,904,060
Effect of foreign currency exchange differences	–	3,889	–	141,703	4,024,614	4,170,206
Balance at 31 December 2010	–	445,826	–	4,771,052	140,426,324	145,643,202
CARRYING AMOUNTS						
Balance at 31 December 2010	1,741,936	2,229,131	–	1,071,052	57,822,652	62,864,771
Balance at 31 December 2009	1,741,936	2,577,311	–	2,157,724	93,914,326	100,391,297

20. OTHER INTANGIBLE ASSETS (continued)

The Directors consider that the club membership has indefinite useful life and is worth at least at 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 for the six-month period ended 31 December 2009. The amounts is amortised on a straight-line method over the estimated useful life of 6 years since the year ended 31 December 2010.

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

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 LTD and its subsidiary ("Systek Group") upon the acquisition of Systek Group by the Group. 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 rights stated in the consultancy agreements with a principal customer of SHINING CHINA INC and its subsidiaries ("Shining China Group") for providing consultancy services upon the acquisition of Shining China Group by the Group (the "Contracted Customer"). The amount is amortised on a straight-line method over the period of 4 to 6 years in accordance with the terms of the consultancy agreements.

21. INTEREST IN AN ASSOCIATE

	At 31 December 2010 HK$	At 31 December 2009 HK$
Cost of investment in an associate (unlisted) *(Note 35)*	**47,877,431**	14,272
Derecognised on disposal of subsidiaries *(Note 36)*	**–**	(14,272)
Share of post-acquisition profits and other comprehensive income, net of dividends received	**4,246,986**	–
	52,124,417	–
Impairment loss recognised	**–**	(14,272)
Eliminated on disposal of subsidiaries *(Note 36)*	**–**	14,272
	–	–
	52,124,417	–

21. INTEREST IN AN ASSOCIATE (continued)

On 28 April 2010, the Group acquired 100% of the issued share capital of Exequs Co. Ltd., a company incorporated in BVI for a consideration of HK$51,447,070 to enhance the Group's supply of sports lottery sales terminals (and accessories) in the PRC. Exequs Co. Ltd. has no operations and its assets consist of 35% indirect equity interest in an associate, GOT.

As at 31 December 2010, the Group had interest in the following associate:

Name of entity	Form of entity	Place of establishment	Principal place of operations	Registered capital	Proportion of nominal value of registered capital held by the Company	Proportion of voting power held	Principal activities
GOT*	Domestic Enterprise	PRC	PRC	US$5,000,000	35% (indirect)	35%	Research, development and production of sports lottery terminals and systems

* English name is for identification purposes only.

The amount due to an associate was unsecured, interests free and had no fixed term of repayment.

Summarised financial information in respect of the Group's associate is set out below:

	At 31 December 2010 HK$	At 31 December 2009 HK$
Total assets	**168,591,338**	–
Total liabilities	**(48,688,344)**	–
Net assets	**119,902,994**	–

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21. INTEREST IN AN ASSOCIATE (continued)

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Total revenue	**168,297,674**	–
Total profit for the year/period	**16,212,443**	–
Group's share of profits of an associate	**5,153,835**	–
Group's share of other comprehensive income of an associate	**1,550,991**	–

22. TRADE RECEIVABLES

	At 31 December 2010 HK$	At 31 December 2009 HK$
Trade receivables	**37,595,399**	17,452,520

The following is an analysis of trade receivables by age, presented based on the terms of the related contracts, net of allowance for doubtful debts:

	At 31 December 2010 HK$	At 31 December 2009 HK$
0 to 30 days	**32,879,123**	9,753,691
31 to 60 days	**3,830,844**	925,656
61 to 90 days	**614,986**	866,460
91 to 120 days	**270,446**	779,072
121 to 365 days	**–**	5,127,641
	37,595,399	17,452,520

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on trade receivables.

22. TRADE RECEIVABLES (continued)

At 31 December 2010, 12.54% (at 31 December 2009: 0.01%) of the trade receivables are past due but not impaired. Of the trade receivables balance at the end of the reporting period approximately HK$26,009,000 (at 31 December 2009: approximately HK$14,410,000) is due from the Group's largest customer.

Receivables that are 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 the credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offsetting against any amounts owed by the Group to the counterparties.

Ageing of past due but not impaired

	At 31 December 2010 HK$	At 31 December 2009 HK$
0 to 30 days	**2,326,978**	476
31 to 60 days	**1,851,212**	577
61 to 90 days	**267,641**	836
91 to 120 days	**270,445**	–
Total	**4,716,276**	1,889
Average age *(days)*	**66**	51

Movement in the allowance for doubtful debts

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Balance at beginning of the year/period	**–**	532,290
Amounts written off during the year/period as uncollectible	**–**	(532,290)
Balance at end of the year/period	**–**	–

There was no provision for impairment losses in respect of trade receivables from customers at 31 December 2010 (at 31 December 2009: nil). The Group does not hold any collateral over these balances.

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23. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At 31 December 2010 HK$	At 31 December 2009 HK$
Contracts in progress at the end of the reporting period:		
Contracts costs incurred plus recognised profits less recognised losses	**–**	15,198,321
Less: progress billings	**–**	(13,659,312)
	–	1,539,009
Impairment losses recognised	**–**	(1,539,009)
	–	–
Represented by:		
Due from customers included in current assets	**–**	–

At 31 December 2010, there were no retentions held by customers for contract work. Advances received from customers for contract work amounted to nil (at 31 December 2009: nil).

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December 2010 HK$	At 31 December 2009 HK$
Deposits paid to suppliers	**2,279,352**	1,565,152
Prepayments	**43,911,474**	53,062,868
Rental, utility and guarantee deposits	**1,539,238**	5,238,486
Other receivables	**40,370,815**	30,130,940
	88,100,879	89,997,446
Less: Deposits and prepayments classified as non-current assets	**(33,358,991)**	(41,283,167)
	54,741,888	48,714,279

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables on which there was no recent history of default.

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at 0.001% – 3.49% per annum (at 31 December 2009: 0.001% – 6.0% per annum) with an original maturity of three months or less.

At 31 December 2010, the bank balances and cash of approximately HK$103,588,000 (at 31 December 2009: approximately HK$70,286,000) were denominated in RMB which is not freely convertible into other currencies.

26. TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date:

	At 31 December 2010 HK$	At 31 December 2009 HK$
0 to 30 days	**6,444,817**	–

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade payables are non-interest-bearing.

27. ACCRUALS AND OTHER PAYABLES

	At 31 December 2010 HK$	At 31 December 2009 HK$
Accrued charges	**2,525,239**	1,314,751
Other payables	**17,486,120**	4,842,715
	20,011,359	6,157,466

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Other payables are non-interest-bearing.

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28. DEFERRED TAXATION

The following are the deferred tax liabilities related to intangible assets recognised and movements thereon during the current year and prior period:

	HK$
At 1 July 2009	28,883,166
Effect of foreign currency exchange differences	48,924
Credit to profit or loss *(Note 11)*	(4,914,079)
At 31 December 2009	24,018,011
Effect of foreign currency exchange differences	820,945
Credit to profit or loss *(Note 11)*	(10,115,531)
At 31 December 2010	14,723,425

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$36,323,000 (at 31 December 2009: approximately HK$13,529,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$127,457,000 (at 31 December 2009: approximately HK$119,251,000) 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 the estimated tax losses due to unpredictability of future profit streams. Included in unrecognised estimated unused tax losses are losses of approximately HK$18,934,000 (at 31 December 2009: approximately HK$28,592,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$108,523,000 (at 31 December 2009: approximately HK$90,659,000) may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of Shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$0.002 each at 31 December 2009 and 31 December 2010	5,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 July 2009	3,581,335,000	7,162,670
Exercise of part of a share option *(Note (a))*	500,000	1,000
Ordinary shares of HK$0.002 each at 31 December 2009	3,581,835,000	7,163,670
Issue of Shares upon acquisition of subsidiaries *(Note 35)*	57,894,000	115,788
Exercise of part of a share option *(Note (b))*	38,431,250	76,863
Ordinary shares of HK$0.002 each at 31 December 2010	3,678,160,250	7,356,321

Notes:

(a) During the six-month period ended 31 December 2009, part of an option for 500,000 shares of HK$0.002 each was exercised at the exercise price of HK$0.2198 per share, resulting in the issue of 500,000 shares of HK$0.002 each.

(b) During the year ended 31 December 2010, part of options for 38,431,250 shares of HK$0.002 each were exercised at the exercise prices ranging from HK$0.218 to HK$0.2198 per share, resulting in the issue of 38,431,250 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/period.

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30. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2010 HK$	At 31 December 2009 HK$
Within one year	**1,896,884**	5,683,935
In the second to fifth years inclusive	**137,748**	2,248,653
	2,034,632	7,932,588

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to three years and rentals are fixed over the lease periods.

31. CAPITAL COMMITMENTS

	At 31 December 2010 HK$	At 31 December 2009 HK$
Contracted but not provided for:		
Research and development expenditures	**–**	1,241,861

32. RETIREMENT BENEFIT SCHEMES

The Group participates in employee social security plans as required by the regulations in the PRC. The Group also participates in the Mandatory Provident Fund scheme to which all qualified employees of the Group in Hong Kong are entitled. The assets of the retirement benefit 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 security 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 statement of comprehensive income represent contributions payable by the Group at the specified rates according to the respective plans. The only obligation of the Group in respect of the retirement benefit schemes is to make the specified contributions.

33. SHARE-BASED PAYMENT TRANSACTIONS

The 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, 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 issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the Share Option Scheme, without prior approval from the 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 the Shares 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) require 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 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.

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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the Share Option Scheme during the year ended 31 December 2010 and the six-month period ended 31 December 2009:

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 July 2009	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2009	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010
Directors:													
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2010	3,343,750	–	–	–	3,343,750	–	(3,343,750)	–	–	–
			9 October 2010 – 8 October 2011	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2010	3,343,750	–	–	–	3,343,750	–	(3,343,750)	–	–	–
			9 October 2010 – 8 October 2011	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2010	3,343,750	–	–	–	3,343,750	–	(3,343,750)	–	–	–
			9 October 2010 – 8 October 2011	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	3,343,750	–	–	–	–	3,343,750
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2010	334,375	–	–	–	334,375	–	(334,375)	–	–	–
			9 October 2010 – 8 October 2011	334,375	–	–	–	334,375	–	–	–	–	334,375
			9 October 2011 – 8 October 2012	334,375	–	–	–	334,375	–	–	–	–	334,375
			9 October 2012 – 8 October 2013	334,375	–	–	–	334,375	–	–	–	–	334,375

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 July 2009	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2009	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010
Eligible employees and other eligible participants													
	27 September 2006	0.218	27 September 2009 – 26 September 2010	1,250,000	–	–	–	1,250,000	–	(1,250,000)	–	–	–
	9 October 2008	0.2198	9 October 2009 – 8 October 2010	35,671,875	–	(500,000)	–	35,171,875	–	(25,503,125)	(9,668,750)	–	–
			9 October 2010 – 8 October 2011	35,671,875	–	–	–	35,671,875	–	(1,312,500)	–	(5,312,500)	29,046,875
			9 October 2011 – 8 October 2012	35,671,875	–	–	–	35,671,875	–	–	–	(5,312,500)	30,359,375
			9 October 2012 – 8 October 2013	35,671,875	–	–	–	35,671,875	–	–	–	(5,312,500)	30,359,375
	6 July 2010	0.300	6 July 2011 – 5 July 2012	–	–	–	–	–	2,250,000	–	–	–	2,250,000
			6 July 2012 – 5 July 2013	–	–	–	–	–	2,250,000	–	–	–	2,250,000
			6 July 2013 – 5 July 2014	–	–	–	–	–	2,250,000	–	–	–	2,250,000
			6 July 2014 – 5 July 2015	–	–	–	–	–	2,250,000	–	–	–	2,250,000
Consultant													
	8 October 2009	0.389	8 April 2010 – 7 April 2011	–	2,500,000	–	(2,500,000)	–	–	–	–	–	–
			8 April 2011 – 7 April 2012	–	2,500,000	–	(2,500,000)	–	–	–	–	–	–
			8 April 2012 – 7 April 2013	–	2,500,000	–	(2,500,000)	–	–	–	–	–	–
			8 April 2013 – 7 April 2014	–	2,500,000	–	(2,500,000)	–	–	–	–	–	–
Total				185,400,000	10,000,000	(500,000)	(10,000,000)	184,900,000	9,000,000	(38,431,250)	(9,668,750)	(15,937,500)	129,862,500
Exercisable at the end of the year				–				46,787,500					39,412,500
Weighted average exercise price				HK$0.2198	HK$0.398	HK$0.2198	HK$0.398	HK$0.2198	HK$0.300	HK$0.2197	HK$0.2198	HK$0.2198	HK$0.2254

Notes:

No options were expired during the six-month period ended 31 December 2009.

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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following share options granted under the Share Option Scheme were exercised during the year ended 31 December 2010 and the six-month period ended 31 December 2009:

For the year ended 31 December 2010

Date of grant	Number of share options exercised	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 October 2008	6,687,500	22 February 2010	0.240	0.240
9 October 2008	187,500	23 April 2010	0.340	0.360
9 October 2008	125,000	12 May 2010	0.355	0.350
9 October 2008	250,000	24 May 2010	0.335	0.330
9 October 2008	3,343,750	23 June 2010	0.315	0.315
9 October 2008	312,500	16 August 2010	0.295	0.290
27 September 2006	1,250,000	2 September 2010	0.295	0.265
9 October 2008	125,000	2 September 2010	0.295	0.265
9 October 2008	21,503,125	4 October 2010	0.320	0.320
9 October 2008	1,312,500	5 October 2010	0.345	0.320
9 October 2008	334,375	7 October 2010	0.475	0.455
9 October 2008	1,687,500	8 October 2010	0.475	0.475
9 October 2008	312,500	4 November 2010	0.365	0.380
9 October 2008	375,000	16 November 2010	0.360	0.360
9 October 2008	625,000	6 December 2010	0.330	0.340
	38,431,250			

For the six-month period ended 31 December 2009

Date of grant	Number of share options exercised	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 October 2008	500,000	9 October 2009	0.390	0.385

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

At the end of the reporting period, the number of Shares of which options had been granted and remained outstanding under the Share Option Scheme was 129,862,500 (at 31 December 2009: 184,900,000), representing approximately 3.53% (at 31 December 2009: 5.16%) of the Shares in issue at that date.

The fair values of options granted during the year ended 31 December 2010 were calculated using the binominal model, details of which are as follows:

	Date of grant 6 July 2010
Number of Shares to be issued upon exercise of options granted	9,000,000
Estimated fair values of options granted	HK$1,551,218
Significant inputs into the model:	
Closing share price at date of grant	HK$0.300
Exercise price	HK$0.300
Expected volatility	90.99% – 93.57%
Expected life of options	2 – 5 years
Risk-free interest rate	0.60% – 1.49%
Dividend yield	Nil

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values.

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

During the six-month period ended 31 December 2009, the Company measures the fair value of the share option granted to a consultant by reference to the fair value of services received. The total fair value of the share option granted to the consultant for the six-month period ended 31 December 2009 amounted to nil.

34. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Disposal of sports lottery sales terminals to an associate	**327,712**	–
Research and development expenditures paid to an associate	**1,274,097**	–

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34. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors during the year/period was as follows:

	Year ended 31 December 2010 HK$	Six-month period ended 31 December 2009 HK$
Short-term employee benefits	**9,773,027**	4,527,169
Share-based payments	**4,676,833**	3,153,964
Post-employment benefits	**91,777**	25,646
	14,541,637	7,706,779

35. ACQUISITION OF SUBSIDIARIES

On 28 April 2010, the Group completed the acquisition of 100% of the issued share capital of Exequs Co. Ltd. and its subsidiary (the "Exequs Group"). The principal activity of Exequs Group is investment holding in the PRC.

The consideration consists of (i) cash in the amount of HK$18,500,000, (ii) consideration payable in the amount of HK$9,500,000 and (iii) 57,894,000 of the Company's ordinary shares of HK$0.002 each, of which 57,894,000 Shares were issued upon completion of the acquisition at the market price of HK$0.405, at the date of acquisition.

Consideration transferred

	Year ended 31 December 2010 HK$
Cash	18,500,000
Consideration payable (included in accruals and other payables)	9,500,000
Consideration shares	23,447,070
Total	51,447,070

35. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition

	At 28 April 2010 HK$
Current assets	
Other receivables, deposits and prepayments	3,439,645
Bank balances and cash	221,506
Non-current assets	
Property, plant and equipment *(Note 17)*	3,306
Interest in an associate *(Note 21)*	47,877,431
Current liabilities	
Accruals and other payables	(94,818)
	51,477,070

Net cash outflow on acquisition of the Exequs Group

	Year ended 31 December 2010 HK$
Consideration paid in cash	18,500,000
Less: cash and cash equivalent balances acquired	(221,506)
Total	18,278,494

Impact of acquisition on the results of the Group

During the year ended 31 December 2010, the Exequs Group acquired contributed a profit of approximately HK$5,106,000 to the Group's loss for the year between the date of acquisition and 31 December 2010.

If the acquisition had been completed on 1 January 2010, profit for the year would have been a profit of approximately HK$14,706,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

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36. DISPOSALS OF SUBSIDIARIES

(a) For the year ended 31 December 2010

(i) Disposal of 江西世紀星彩企業管理有限公司 (China Lottery Management (Jiangxi) Co., Ltd.*)

During the year ended 31 December 2010, the Group disposed of its entire equity interest in China Lottery Management (Jiangxi) Co., Ltd. upon deregistration.

Consideration received

	Year ended 31 December 2010 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of China Lottery Management (Jiangxi) Co., Ltd.

	Year ended 31 December 2010 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(138,190)
Loss on disposal	(138,190)

The loss on disposal is included in the loss for the year ended 31 December 2010 from continuing operations in the consolidated statement of comprehensive income.

Net cash movement on disposal of China Lottery Management (Jiangxi) Co., Ltd.

	Year ended 31 December 2010 HK$
Consideration received in cash and cash equivalents	–

36. DISPOSALS OF SUBSIDIARIES (continued)

(a) For the year ended 31 December 2010 (continued)

(ii) Disposal of 遼寧世紀星彩企業管理有限公司 (China Lottery Management (Liaoning) Co., Ltd.*)

During the year ended 31 December 2010, the Group disposed of its entire equity interest in China Lottery Management (Liaoning) Co., Ltd. upon deregistration.

Consideration received

	Year ended 31 December 2010 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of China Lottery Management (Liaoning) Co., Ltd.

	Year ended 31 December 2010 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(215,529)
Loss on disposal	(215,529)

The loss on disposal is included in the loss for the year ended 31 December 2010 from continuing operations in the consolidated statement of comprehensive income.

Net cash movement on disposal of China Lottery Management (Liaoning) Co., Ltd.

	Year ended 31 December 2010 HK$
Consideration received in cash and cash equivalents	–

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36. DISPOSALS OF SUBSIDIARIES (continued)

(b) For the six-month period ended 31 December 2009

(i) Disposal of MegaInfo Group

During the six-month period ended 31 December 2009, the Group disposed of its entire equity interest in MegaInfo Group which carried out all of its Enterprise solutions operation.

Consideration received

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	1

Analysis of assets and liabilities over which control was lost

	At 19 November 2009 HK$
Current assets	
Inventories	115,070
Trade receivables	69,947
Other receivables, deposits and prepayments	393,622
Pledged deposits	320,000
Bank balances and cash	1,047,344
Non-current assets	
Property, plant and equipment	54,837
Interest in an associate *(Note 21)*	–
Current liabilities	
Trade payables	(349,091)
Other payables, accruals and deposits received	(1,450,169)
Net assets disposed of	201,560

36. DISPOSALS OF SUBSIDIARIES (continued)

(b) For the six-month period ended 31 December 2009 (continued)

(i) Disposal of MegaInfo Group (continued)

Gain on disposal of MegaInfo Group

	Six-month period ended 31 December 2009 HK$
Consideration received	1
Net assets disposed of	(201,560)
Cumulative exchange differences released	(17,200)
Cumulative contributed surplus released	11,108,399
Gain on disposal	10,889,640

The gain on disposal is included in the profit for the six-month period ended 31 December 2009 from discontinued operation in the consolidated statement of comprehensive income *(Note 12)*.

Net cash outflow on disposal of MegaInfo Group

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	1
Less: cash and cash equivalent balances disposed of	(1,047,344)
	(1,047,343)

36. DISPOSALS OF SUBSIDIARIES (continued)

(b) For the six-month period ended 31 December 2009 (continued)

(ii) Disposal of 安徽世紀星彩企業管理有限公司 (China Lottery Management (Anhui) Co., Ltd.*)

During the six-month period ended 31 December 2009, the Group disposed of its entire equity interest in China Lottery Management (Anhui) Co., Ltd. upon deregistration.

Consideration received

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of China Lottery Management (Anhui) Co., Ltd.

	Six-month period ended 31 December 2009 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(6,409)
Loss on disposal	(6,409)

The loss on disposal is included in the loss for the six-month period ended 31 December 2009 from continuing operations in the consolidated statement of comprehensive income.

Net cash movement on disposal of China Lottery Management (Anhui) Co., Ltd.

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	–

36. DISPOSALS OF SUBSIDIARIES (continued)

(b) For the six-month period ended 31 December 2009 (continued)

(iii) Disposal of 江蘇世紀星彩企業管理有限公司 (China Lottery Management (Jiangsu) Co., Ltd.*)

During the six-month period ended 31 December 2009, the Group disposed of its entire equity interest in China Lottery Management (Jiangsu) Co., Ltd. upon deregistration.

Consideration received

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of China Lottery Management (Jiangsu) Co., Ltd.

	Six-month period ended 31 December 2009 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(1,971)
Loss on disposal	(1,971)

The loss on disposal is included in the loss for the six-month period ended 31 December 2009 from continuing operations in the consolidated statement of comprehensive income.

Net cash movement on disposal of China Lottery Management (Jiangsu) Co., Ltd.

	Six-month period ended 31 December 2009 HK$
Consideration received in cash and cash equivalents	–

* *English name is for identification purpose only.*

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37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2010 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	2,622 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
北京思德泰科科技發展有限公司 (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
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$150 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories)
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 RMB5 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services

37. 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
SYSTEK LTD	Incorporated	BVI	PRC	1 ordinary share of US$1	100% (indirect)	Investment holding
SHINING CHINA INC	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding
EXEQUS CO. LTD.	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding
北京世紀德彩科技有限公司 (Beijing Century Decai Technology Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB30 million	100% (indirect)	Investment holding
北京亞博互動科技發展有限公司 (Beijing AGTech Interactive Technology Development Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB10 million	100% (indirect)	Sports and media business

* *English name is for identification purpose only.*

The above table lists out 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 end of the reporting period.

38. COMPARATIVE FIGURES

For comparative purposes, certain comparative figures have been reclassified to conform with current year presentation to align with the financial statements presentation of the Group.

39. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (for the six-month period ended 31 December 2009: nil).

Financial Summary

RESULTS

	For the period				
	1 January – 31 December 2010 HK$	1 July – 31 December 2009 HK$	1 July 2008 – 30 June 2009 HK$	1 July 2007 – 30 June 2008 HK$	1 July 2006 – 30 June 2007 HK$
Revenue					
– continuing operations	**105,143,580**	33,822,293	58,988,495	43,163,581	1,915,325
– discontinued operation	**–**	340,447	2,633,483	1,806,589	20,149,197
Total	**105,143,580**	34,162,740	61,621,978	44,970,170	22,064,522
Loss for the year attributable to owners of the Company					
– continuing operations	**(37,798,646)**	(44,268,184)	(189,237,306)	(126,898,578)	(59,441,365)
– discontinued operation	**–**	8,897,185	(262,425)	(1,637,475)	(1,010,037)
Total	**(37,798,646)**	(35,370,999)	(189,499,731)	(128,536,053)	(60,451,402)

ASSETS AND LIABILITIES

	As at				
	31 December 2010	31 December 2009	30 June 2009	30 June 2008	30 June 2007
Total assets	**1,087,202,198**	1,036,008,408	1,073,894,601	1,152,055,442	1,112,026,006
Total liabilities	**(45,025,145)**	(30,465,966)	(36,812,081)	(44,421,781)	(51,731,778)
	1,042,177,053	1,005,542,442	1,037,082,520	1,107,633,661	1,060,294,228
Equity attributable to owners of the Company	**1,039,252,415**	1,002,482,563	1,034,828,450	1,103,511,128	1,055,194,142
Non-controlling interests	**2,924,638**	3,059,879	2,254,070	4,122,533	5,100,086
	1,042,177,053	1,005,542,442	1,037,082,520	1,107,633,661	1,060,294,228