AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

ANNUAL REPORT 2011

CHINA SPORTS LOTTERY
中国体彩

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.

Contents

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 Fengma

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, 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, Tower Two,
Times Square, Causeway Bay,
Hong Kong

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

BANKERS

China Merchants Bank
China Minsheng Banking Corp., Ltd.
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

BRANCH SHARE REGISTRAR IN HONG KONG

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

STOCK CODE

8279

WEBSITE

http://www.agtech.com

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-laws"	means the bye-laws of the Company
"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 100% 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
"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
"Share Option Scheme"	means the share option scheme of the Company adopted on 18 November 2004

DEFINITIONS

"Share(s)"	means ordinary share(s) of HK$0.002 each in the share capital of the Company
"Shareholder(s)"	means holder(s) of the Share(s)
"Silvercreek"	means 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and its 100% equity interest is held by the Group
"SLAC(s)"	means China Sports Lottery Administration Centre(s)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Subsidiary"	means a wholly-owned subsidiary of the Company
"HK$"	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$1.223 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*

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.

Corporate Profile

ABOUT AGTECH

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

The Largest Professional Services Provider in China's Sports Lottery Market and the Largest Sports Lottery Terminal and System Provider in China

Since the beginning of 2007, AGTech has commenced business in China's sports lottery market. In these few years, it successfully brought together international and domestic industry expertise, technologies, management, skills and infrastructures into the Chinese sports lottery market, thereby building today's AGTech which is the largest professional services provider in China's sports lottery market (in terms of business scope and geographic coverage) as well as the largest sports lottery terminal and system provider in the PRC.

CORPORATE PROFILE

Leveraging on its advanced research and development capabilities and cooperation with top international and domestic lottery and gaming enterprises, AGTech is committed to become a leading lottery technology group and it is devoted to working jointly with the Chinese government for the provision of new and exciting sports gaming entertainment to the Chinese community.

The principal business of AGTech is lottery management, gaming technologies (game software, systems, hardware and terminals), as well as online and phone lottery distribution. It is also committed to applying advanced technologies and internet technologies to the lottery industry for comprehensive coverage in various areas such as paper tickets, internet, mobile phone, video, wireless networking and streaming media, thereby providing sports lottery authorities and millions of lottery players in China with professional integrated lottery services.

As of today, AGTech has a team of over 300 professionals and the footprints of its sports lottery business cover 80% of provinces and municipalities across China. 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.

Year 2011 was the first year for China's lottery sales to exceed RMB200 billion with an annual growth rate of over 33%. With a comparatively low lottery penetration rate in China, coupled with the fact that the illegal gambling market is estimated to be about 10-20 times of the legal lottery market, there is enormous potential for future growth in China's legal lottery market.

China is reforming the lottery sector to recapture such huge underground lottery revenues. The promulgation of the "Regulations on the Administration of Lotteries" and the "Implementing Rules for the Regulations on the Administration Lotteries", 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 details on recent industry development, please refer to the "Management Discussion and Analysis" section on pages 38 to 44.

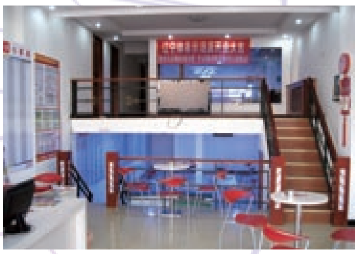
CORPORATE PROFILE

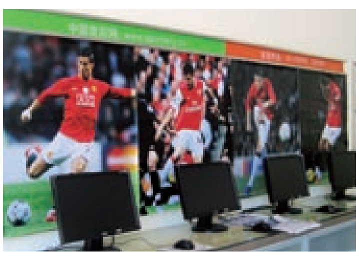
LOTTERY MANAGEMENT

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 2,000 outlets under management selling all types of lottery products.





CORPORATE PROFILE

GAMING TECHNOLOGIES

Virtual Sports Betting

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

Technology is not only significant for the rapid development of the Chinese lottery market, but is also particularly important in bringing an innovative and exciting form of entertainment to the lottery public.

Our 51%-owned joint venture with Ladbrokes (one of the world's largest virtual sports betting companies) has successfully obtained all government approvals and launched a new rapid-draw virtual sports lottery platform and its initial game, named "Lucky Racing" in China. This achievement marks the first legitimate rapid-draw virtual sports lottery platform and game in China approved by the Ministry of Finance pursuant to the new lottery regulations. This platform and game is 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

Gaming Hardware and Technology Development

GOT – the Largest Terminal and System Provider for China Sports Lottery

Through investment in GOT, the largest terminal and system provider for China Sports Lottery with advanced R&D and innovation capabilities and established markets in 26 provinces, AGTech further integrates 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 having them introduced to China's sports lottery market.

GOT 高腾









CORPORATE PROFILE

ONLINE AND PHONE LOTTERY DISTRIBUTION BUSINESS

As one of the most competitive phone and mobile lottery service providers in China, our wholly-owned subsidiary, Silvercreek provides lottery organisations with comprehensive phone and mobile betting solutions. Through Silvercreek, the Group is well-positioned to tap the rapidly growing phone and mobile lottery sector in China. There is also huge potential for Silvercreek to create synergies with the Group's other existing businesses, thereby significantly strengthening our leading position in China's lottery market.

As a leading sports lottery enterprise in China, the Group will continue to pay attention to policy development with respect to the government approval of lottery sales via internet and phone and make corresponding strategic deployments. In the coming future, the Group will seek to expand in related businesses to drive new earnings growth for the Shareholders and consolidate the leading position of the Group in the industry.

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 (for example, prohibition of credit betting and taking bets from underage players) to facilitate lottery players playing with rationality and to minimise the potentially negative effects of lottery entertainment. 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 lottery management 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 sports events.

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. In recent years, it has been working on several charity and sports projects such as Helping the Poor Children in Yunnan Province, Sponsoring Shanghai Youth Girls Soccer Team, AGTech Cup Olympic Photography Competition, Sponsoring Anhui Huangshan Martial Arts Competition Tournament, as well as AGTech 15th He Long Cup Golf Celebrity Invitation. In the future, 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.

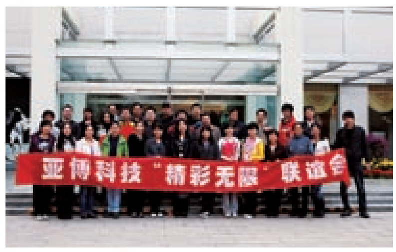
CORPORATE PROFILE

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 over 300 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

With footprints of our business cover over 80% of the provinces across China, AGTech has built up comprehensive after-sales service network and strong sales and service networks in China.

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,

Year 2011 has been a year of tremendous development for the Group in that it has successfully completed the puzzle by launching the first legitimate rapid-draw virtual sports lottery platform and its initial game, named "Lucky Racing", in China. In addition, the Group has completed the acquisitions of Silvercreek and GOT. Through years of efforts, the Group has achieved its goal to bring together international and domestic industry expertise, technologies, management, skills and infrastructures and become the largest professional services provider in China's sports lottery market (in terms of business scope and geographic coverage) as well as the largest sports lottery terminal and system provider in the PRC.

At the beginning of this year, upon the approval of the State Council, principals from the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of China have signed an order to release the "Implementing Rules for the Regulations on the Administration of Lotteries" (the "Rules"), which has come into force on 1 March 2012. The Rules with six chapters and 64 articles further detail all the provisions of the "Regulations on the Administration of Lotteries" and clarify lottery management responsibilities, lottery issuance and distribution, lottery drawing and prize settlement, lottery fund management and so on. In particular, the Rules clearly define "welfare lotteries, sports lotteries and lottery games issued and sold without the approval of the Ministry of Finance" and "welfare lotteries and sports lotteries sold without the commission from lottery issuance and sales agencies" as "illegal lotteries". Not only does the release of the Rules confirm the determination of the central government to crack down on illegal lotteries, but it also indicates that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. It is undoubtedly great news for the Group, which has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government since 2007 when it was engaged in China's lottery industry. Also, it brings about great business opportunities for the development of online and mobile lotteries for the industry in the future. AGTech has been paying close attention to the new policy change of the government and seeks to develop various cooperation relationships from time to time in order to strengthen its technology development capability, team expertise and project operation experience, thereby being well equipped to react promptly when opportunities arise. Currently, AGTech is qualified to apply for the related licenses and is well positioned to capture such huge market opportunities.

CHAIRMAN'S STATEMENT

During the financial year under review, there was significant improvement in the Group's financial performance. The Group recorded an operating profit of approximately HK$7,300,000 (2010: approximately HK$700,000). It 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 in the PRC. Revenue of the Group increased to approximately HK$111,300,000 (2010: approximately HK$105,100,000). Gross profit also rose to approximately HK$73,500,000 (2010: approximately HK$64,400,000) with gross profit margin rising from 61.2% in 2010 to 66.0% in 2011.

The Board believes that year 2012 will be a year of business growth for the Group. First of all, following the successful launch of "Lucky Racing" virtual sports betting in Hunan province, the Group expects a further rollout of the game to more provinces across China and through other more innovative distribution channels. Secondly, the Group will continue to seek the opportunities to develop and introduce more exciting new games and contents to the Chinese sports lottery market. Thirdly, the Group has been eyeing on the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Furthermore, the Group will endeavor to expand the existing sales networks of GOT by utilising its strong overseas lottery and gaming networks. Coupled with continuing revenue growth driven by existing lottery business and the synergistic benefits brought about by new lottery projects, the business outlook of the Group remains positive for year 2012.

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.

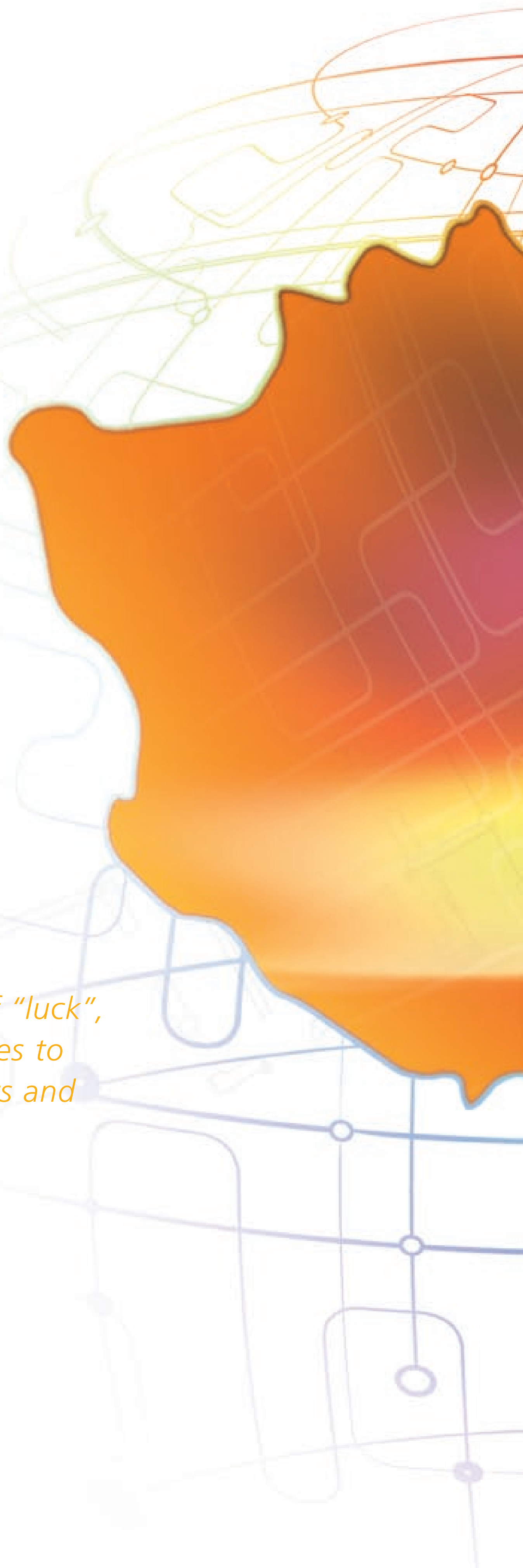
Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 23 March 2012

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.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors at all times;
- the proper procedures for appointment and re-election of Directors;
- the establishment of an audit committee to review the financial reporting and internal controls of the Group;
- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters for Directors and senior management of the Group;
- the establishment of a nomination committee to formulate nomination policy and make recommendations to the Board on any proposed appointment of Directors and to assess the independence of the independent non-executive Directors on a regular basis;
- the provision of briefing on the relevant requirements of the GEM Listing Rules and the Securities and Futures Ordinance to all newly appointed Directors;
- the timely supply of sufficient information to Directors for matters seeking their approval or opinions;
- the timely publications of announcements, annual, interim and quarterly results and reports to keep the Shareholders posted of the latest business developments and financial performance of the Group; and
- the holding of an annual general meeting each year to meet with the Shareholders and answer their enquiries.

During the year ended 31 December 2011, the Company complied with the Code, except (as similarly disclosed on page 29 of the Company's annual report for the year ended 31 December 2010) that:

- under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and 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 and rules and regulations.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2011, 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 approval as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

CORPORATE GOVERNANCE REPORT

Four Board meetings were held during the year ended 31 December 2011 for approving the annual, interim and quarterly results and reports. The attendance record of each Director is as follows:

Mr. Sun Ho	3/4
Mr. Robert Geoffrey Ryan	2/4
Mr. Bai Jinmin	4/4
Mr. Liang Yu	4/4
Ms. Yang Yang	0/4
Mr. Kwok Wing Leung Andy	3/4
Mr. Wang Ronghua	4/4
Mr. Hua Fengmao	1/4

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year ended 31 December 2011, 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 2011, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on page 62 to 63.

CHAIRMAN AND CEO

During the year ended 31 December 2011, 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 chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of 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 expiring on 18 July 2012. The non-executive Director was appointed by way of a director's service agreement for a term of two years expiring on 2 December 2013. 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 its Bye-laws and may be terminated by either party to such agreement giving the other party not less than one month's written notice.

REMUNERATION OF DIRECTORS

The remuneration committee was established on 24 June 2005. During the year under review, Mr. 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 independent 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 2011, no physical meeting was required to be held by the remuneration committee.

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 has access to independent professional advice if deemed necessary by the committee. 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 2011, 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$950,000 and HK$620,000 respectively for the year ended 31 December 2011. The Group also committed HK$50,000 to HLB Hodgson Impey Cheng Taxation Services Limited for the tax compliance work of the Company and certain subsidiaries for the year of assessment 2011/2012.

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	2/4

The Group's draft unaudited interim, quarterly and audited annual results were reviewed by the audit committee during the year ended 31 December 2011, 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.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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.

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.

SHAREHOLDERS RELATIONS

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

The Board strives to encourage and maintain constant dialogue with the Shareholders through various means. The Directors host the annual general meeting each year to meet with the Shareholders and answer their enquiries. The Company also updates the Shareholders on the Group's latest business developments and financial performance through announcements, circulars 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.

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

ABOUT THE GROUP

The Group is the largest professional services provider in China's sports lottery market (in terms of business scope and geographic coverage) as well as the largest sports lottery terminal and system provider in the PRC. Leveraging on its advanced research and development capabilities and cooperation with top international and domestic lottery and gaming enterprises, the Group is committed to becoming a leading lottery technology group.

The Group is principally engaged in (i) lottery management; (ii) gaming technologies (game software, systems, hardware and terminals); and (iii) online and phone lottery distribution. It is also committed to applying advanced technologies and internet technologies to lottery industry for comprehensive coverage in various areas such as paper tickets, 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.

As of today, the Group has a team of over 300 professionals and the footprints of its sports lottery business cover 80% of provinces and municipalities across China. It is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

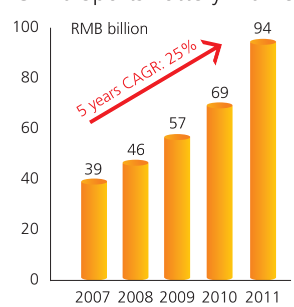
INDUSTRY OVERVIEW

China's sports lottery market is worth RMB93.8 billion

According to the information published by the Ministry of Finance of the PRC, in 2011, China's sports lottery sales reached RMB93.8 billion, which continued to hit historical highs and maintain a strong growth momentum. Sales increased by RMB20.0 billion compared with that of 2010, representing an annual growth rate of approximately 35% and a good start for the Twelve Five-Year Plan. Lottery benefit funds raised from sports lottery sales amounted to RMB25.3 billion, thereby making an outstanding contribution for the support of sports and welfare programmes in China.

The chart on the right indicates that sales of the China sports lottery market showed a continuous upward trend between 2007 and 2011, with a 5-year compound annual growth rate (CAGR) of approximately 25%. Compared with other countries, China's lottery sales per capita remained at a low level. This, coupled with a huge underground lottery market, shows that the PRC lottery market is one with tremendous growth potential. Meanwhile, as China's overall economic activity continues to grow, robust development is expected to continue for the PRC lottery market.

China Sports Lottery Market



Growth in China's sports lottery market in 2007-2011

Source: MOF, the PRC

MANAGEMENT DISCUSSION AND ANALYSIS

Industry highlights

In 2011, the PRC sports lottery market achieved outstanding performance, with sales continued to hit record highs in the second half of the year. All three major sports lottery game types continued to sustain rapid growth, and the performance of their core products such as high frequency games, Super Lotto (超級大樂透) and Jing Cai (競彩) was particularly outstanding. During the year, popularity of high frequency games grew as certain provinces raised the prize payout ratio and some others adopted new rules. This, together with increased marketing efforts, enhanced the interest level of lottery players, thereby contributing to the robust growth in sales and making high frequency games a new profit source for sports lottery.

For lotto games, high frequency games and Super Lotto (超級大樂透) are the major growth drivers, with sales of approximately RMB19.7 billion and RMB14.0 billion respectively. While high frequency games recorded an annual sales growth of approximately 93%, Super Lotto (超級大樂透), with its extremely attractive jackpot of RMB100 million, has become China's most popular lotto game. Meanwhile, sports betting tickets saw the largest growth in sales, with sales reaching RMB21.8 billion, accounting for about 23% of the total sports lottery sales. Sales of the new single match game, Jing Cai (競彩), amounted to approximately RMB12.4 billion, representing an increase of approximately 104%, making it a major growth driver for sports betting games. In addition, sports lottery instant scratch tickets, Dinggugua (頂呱刮) has showed a steady upward trend in sales, with sales amounted to approximately RMB20.0 billion, accounting for 21% of the total sports lottery sales. The successful launch of the NBA themed lottery instant scratch tickets represented another valuable market opportunity brought about by major sports events; while King of Gems (寶石之王) is the first instant scratch ticket with face value of RMB30 being launched and offers a maximum prize of RMB1.5 million.

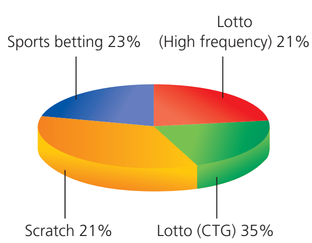
Types of sports lottery games

The PRC sports lottery market is basically dominated by three types of games:

1. Lotto

The lotto game has continued to be the most important lottery product in the PRC sports lottery market. Sales in 2011 amounted to approximately RMB52.0 billion, accounting for about 56% of total sports lottery sales (of which 35% were traditional computerized ticket games ("CTG"), 21% were high frequency games) (as shown in the chart on the right), and represented an increase of approximately 36%, or RMB13.7 billion, compared to RMB38.3 billion in the corresponding period last year.

Sports Lottery Games in China



2011 sports lottery types

Source: MOF, the PRC

Most of the lotto games saw different levels of sales growth, with high frequency games and Super Lotto (超級大樂透) registered the highest growth rates. High frequency games saw rapid growth in provinces that raised the prize payout ratio, with an annual sales of approximately RMB19.7 billion, representing a year-on-year growth of 93%,, while the proportion to total sports lottery sales also increased from 14% in 2010 to 21% in 2011, thus continued to rank first in sales among the game types. Meanwhile, sales for Super Lotto (超級大樂透) saw robust growth after pursuing aggressive promotional campaigns and maintained at a relatively high level subsequently; annual sales reached RMB14.0 billion, ranking second in single game sales. In the coming year, following the launch of new rapid-draw (high-frequency) sports lottery games, such as high-frequency virtual car racing game named "Lucky Racing" (幸運賽車), it is expected that there will be substantial growth of high frequency games.

2. Scratch

In 2011, sales of Dingguagua (頂呱刮) (sports lottery instant scratch tickets) amounted to approximately RMB20.0 billion, representing an annual growth rate of approximately 22% compared with approximately RMB16.4 billion in 2010 and continued to account for over 20% of the total sports lottery sales. This indicates that the sports lottery instant scratch product has continued to be an important game type in the PRC sports lottery market. In order to meet different market demands, 47 new themed lottery games were launched with enhanced product features in both intellectual and entertainment aspects during the year, which has been proved successful in attracting lottery players. New elements were also being introduced into product design and marketing. The launch of NBA themed lottery instant scratch ticket and the "FINA World Championships – Shanghai 2011" lottery ticket, which combined the concept of stamps and traditional instant scratch ticket, helped enhance brand awareness and reputation. Also, the first instant scratch ticket with face value of RMB30, King of Gems (寶石之王), and new sales and marketing models and promotional campaigns were launched, so as to cater for the different spending habits of lottery players and thereby enhancing their participation.

3. Sports Betting

Sales of sports betting lottery tickets amounted to approximately RMB21.8 billion, representing an increase of approximately 48% compared with approximately RMB14.8 billion in 2010 and accounted for about 23% of the total sports lottery sales. There were two highlights with respect to the sports betting products for the year. First, Jing Cai (競彩) has become the year's best selling sports betting product for the first time, with sales almost doubled that of traditional football lottery and became a major sports betting product. Second, all three types of sports betting products saw different levels of growth in sales, which indicated an upward trend in the total sales of sports betting lottery product.

MANAGEMENT DISCUSSION AND ANALYSIS

The total sales amount of sports betting has continued to expand after the launch of Jing Cai (競彩). With reference to the experience of the international lottery and gaming industry, sports betting constitutes an inevitable part of the overall lottery market development. We believe that with further enhancement of product features, sports betting would meet the betting demand of domestic lottery players and sports fans for major sports events, and has the potential of becoming a focal point in the lottery market.

In general, lotto games continued to maintain a leading position in the sports lottery market, while the strong sales growth in high frequency games, Super Lotto (超級大樂透) and Jing Cai (競彩) provide new impetus to and opened a new chapter in game types for China's sports lottery sector. Looking forward to 2012, the Chinese government will continue to support the healthy development of the lottery industry and further introduce a wide range of new lottery games, technologies, systems, equipment and sales channels to meet the players' demand.

BUSINESS REVIEW

Lottery Management Business

The Group's lottery management business (which is the Group's existing core business) has maintained stable growth with revenue and profit margin improving steadily. These lottery management services consist 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 enhancement in operational efficiency and effectiveness has helped the Group strengthen its leading position as a reliable provider of quality lottery management services in the Chinese sports lottery market. Also, the Board believes that the services and corresponding infrastructure and experience built and developed over time have created a seasoned backbone of management and talent skills, which will enable the Group to win and execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC in the coming future.

Gaming Technologies Business

Virtual Sports Betting

During the year under review, the virtual sports betting game "Lucky Racing" ("幸運賽車") has exceeded RMB500 million in total sales following the game's official launch on 30 August 2011. The game has been rolled out to about 1,700 lottery shops (of which over 1,400 shops are fully operational) in Hunan province and sales of "Lucky Racing" now exceed sales of all other lottery and wagering products in Hunan province.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased that the launch of this new form of betting in China received nationwide television news coverage and has sparked enormous interest in this form of virtual betting (simulated rapid racing). With more exciting and entertaining game features, higher prize return ratio and higher drawing frequency, this game could better attract the burgeoning middle to high-income players and introduces a new form of social gaming product to the PRC lottery public.

"Lucky Racing" and the underlying betting transaction system are supplied by the Group's majority-owned joint venture with Ladbroke Group (a world leader in betting and gaming markets, based in the United Kingdom). This game is a virtual betting game that is broadcast to lottery shops via a central computer and cable television, with computer generated car race (formula one style) with similar betting options as horse racing. The approval by the central Chinese regulators for this form of betting is a milestone in China, and the game's acceptance by lottery players strongly indicates that this new market segment could achieve significant market share.

The joint venture, having successfully introduced and launched its virtual sports betting platform in Hunan province, China, is now in a unique position to expand such initial game into other provinces and introduce other virtual sports games for the China sports lottery market, targeting the expansive growth of the leisure and entertainment "wallet" in China. Virtual sports are a rapidly growing and key revenue contributor for gaming operators in the United Kingdom, greater Europe, the United States of America and Australia, and represent a solid model of mature market success to be imported into China's lottery market.

During the year under review, the game was successfully launched in traditional dedicated sports lottery shops and leisure venues (such as coffee shops and restaurants). With continued success in the initial province of Hunan province combined with the central regulators' game and game rule approvals, it is expected that the game has the potential to expand nationwide in terms of retail betting shops and the newly approved media channels such as mobile, internet and Internet Protocol Television (IPTV).

Gaming Hardware and Technology Development

On 29 March 2011, the Company announced the acquisition of the remaining 65% equity interest of its 35%-owned GOT. As GOT has become a wholly-owned subsidiary of the Company, this articulates an expanded role for the Group to become the largest sports lottery terminal and system provider in the PRC. In addition, it helps drive the overall vision and long-term strategy for the Group to develop new technologies to meet the increasing demand from the PRC government. It is expected that the synergistic benefits arising from GOT will be realised this year.

Currently, GOT is the only authorised sports lottery terminal and system provider in the PRC which possesses its own research and development centre. With advanced technologies and innovation capabilities, GOT has successfully developed an extensive sales network in 26 provinces in China and maintained its leading market share of above 50% in China. After over 10 years of development, GOT has become a reputable brand in the PRC commercial information products fields, and was praised by General Administration of Sport of China as the "Outstanding Company Contributing to Sports Lottery". Based on the various competitive advantages possessed by GOT, the Board believes that GOT is very well positioned to introduce new sports lottery products for the Chinese government in the future.

In addition, during the year under review, the Group's other gaming technologies projects and strategic business developments 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 the lottery public, and has continuously devoted efforts and resources on research and development of gaming technologies. During the year under review, the Group has continued its focus on several business development projects such as self-service terminals, portable terminals, as well as other new lottery technologies. The Group's international strategic partners for these projects include some of the world's gaming and wagering industry giants in their respective fields.

Online and Phone Lottery Distribution Business

On 23 May 2011, the Group announced the acquisition of the entire issued share capital of Silvercreek. As one of the most competitive phone and mobile lottery service providers in China, Silvercreek provides lottery organisations with comprehensive phone and mobile betting solutions. The acquisition will enable the Group to tap the rapidly growing phone and mobile lottery sector in China. Considering that there is huge potential for Silvercreek to create synergies with the Group's existing businesses, the Board believes that the transaction will significantly strengthen our leading position in China's lottery market.

As a leading sports lottery enterprise in China, the Group will continue to pay attention to policy development with respect to the government approval of lottery sales via internet and phone and make corresponding strategic deployments. In the coming future, the Group will seek to expand in related businesses to drive new earnings growth for shareholders and consolidate the leading position of the Group in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

The upcoming year 2012 will be an important year for the Group as it expects a further rollout of "Lucky Racing" virtual sports betting to more provinces in the PRC and through other more innovative distribution channels. In addition, the Group will endeavor to develop and introduce more exciting new games and contents to the Chinese sports lottery market as well as to expand existing sales network.

At the beginning of this year, upon the approval of the State Council, principals from the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of China have signed an order to release the "Implementing Rules for the Regulations on the Administration of Lotteries" (the "Rules"), which has come into force on 1 March 2012. As a prudent lottery group which has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government, the Group is in a very good position to cope with this regulatory change. Not only does the release of the Rules confirm the determination of the central government to crack down on illegal lotteries, but it also indicates that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. The Directors believe that it will bring great business opportunities for the Group to further expand its business to more innovative lottery games and distribution channels in the future.

Looking ahead, the Directors are optimistic about the prospects of the sports lottery market. The Chinese government has released the "Implementing Rules for the Regulations on the Administration of Lotteries" and 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 is believed to be inclined to the development of online and mobile betting business which 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. With a solid business foundation, excellent customer and government relationships as well as strong international gaming partnerships, the Board strongly believes the advanced products and technological advantages of the Group will help it capture new potential opportunities and consolidate its leading position in the industry.

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 the Shareholders. Towards these ends, the Group will also continuously place great emphasis on maintaining close ties with major business partners.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sun Ho – Executive Director, Chairman & CEO

Mr. Sun Ho, aged 43, 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 markets.

Mr. Sun was previously the CEO of China LotSynergy Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange, 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 53, 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 19 years of experience in senior roles within the international gaming and wagering industry. Mr. Ryan has accumulated a broad range of operational, business development and implementation expertise across industry sectors including sports betting operations, on-line lottery operations, pari-mutuel and fixed odds wagering, electronic gaming machine (EGM) and video lottery terminal (VLT) operations, casino operations and gaming systems implementation/integration. Through his tenure with Australia's leading gaming companies, Tabcorp Holdings Limited (Australia's largest gaming and wagering company), Jupiters Limited (casinos and hospitality) and AWA Limited (gaming systems), Mr. Ryan has developed and/or managed gaming operations within Asia and the Asia Pacific region including India, Malaysia, Philippines, Vietnam and Thailand. Most recently in his capacity as Regional Manager, Mr. Ryan was instrumental over a 3-year campaign to have Tabcorp systems, lottery game designs and operations approved in China at the central government level. Mr. Ryan shall provide advice and assistance to the Group with respect to gaming operations design and implementation, business development and gaming business review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bai Jinmin – Executive Director

Mr. Bai Jinmin, aged 45, 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 17 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 39, is the executive director of the Company. He is also act as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision, responsible for their business development, strategic planning and operational supervision.

Mr. Liang has approximately 16 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.

Ms. Yang Yang – Non-Executive Director

Ms. Yang Yang, aged 35, is the non-executive director of the Company.

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

Ms. Yang is enthusiastic to participate in volunteer work to contribute to the Olympics and the society. 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. In addition, she has 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.

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 66, 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 43, 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 37, has over 15 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.

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.) and SYSTEK LTD, 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, 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. 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 32 years of gaming experiences at most levels within the industries and with the last 18 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 14 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.

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 21 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 8 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 17 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 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 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.

Mr. Adam Greenblatt

In August 2011, Mr Adam Greenblatt is 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.), having previously been appointed in 2010 as Director of Corporate and Strategic Development at Ladbrokes, a major UK-listed international betting and gaming company, Mr. Greenblatt began his career as a Chartered Accountant in the UK with Arthur Anderson before moving into mergers and acquisitions at renowned international investment bank Rothschild, specialising in betting and gaming. Mr. Greenblatt left his role as Director of European Investment Banking in 2008 to effect the successful turnaround of a manufacturing business. He then launched a European internet business focusing on the online recruitment market, before most recently moving back into the betting and gaming sector to join Ladbrokes.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 38 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 International Development Director of Ladbrokes plc. 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.

Mr. Michael Charlton

Mr. Michael Charlton, 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 September 2011, has over 15 years' experience in the Leisure & Gaming industry and is currently responsible for developing Ladbrokes PLC's international business in the Asian region. Mr. Charlton joined Ladbrokes PLC following his graduation from Glasgow University in 1995. During his time with Ladbrokes PLC he has held various senior management positions, initially within the Retail sector of the business before joining the International Department in 2005. Mr. Charlton is currently acting as China General Manager for Ladbrokes PLC and serving as a director of Ladbrokes Lottery (Asia) Co. Limited.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on pages 64 and 65.

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 32 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 both balance sheet dates.

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 2011 and past 4 financial period and years from the year ended 30 June 2008 is set out on page 148.

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. Liang Yu and Ms. Yang Yang) 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 2013, and during the said two-year period, the agreement may be 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 three years expiring on 18 September 2014, and during the said three-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Bai was also appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Mr. Liang Yu was appointed as an executive Director under a service agreement for a term of two years expiring on 22 April 2012, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Liang was also appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Ms. Yang Yang was appointed as a non-executive Director under a service agreement for a term of two years expiring on 2 December 2013, and during the said two-year period, the agreement may be 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, and during the said two-year period, the agreement may be 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' REPORT

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

As at 31 December 2011, 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	52.90%
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	6,687,500	44,876,600 *(Note 2)*	51,564,100	1.34%
Mr. Liang Yu	6,187,500	–	6,187,500	0.16%
Ms. Yang Yang	414,375	–	414,375	0.01%
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 and chairman 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 in turn is 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):

Name of Director	Date of grant	Exercise price per Share HK$	Exercisable period *(Note)*	As at 1 January 2011	Granted during the year	Exercised during the year	Forfeited during the year	As at 31 December 2011	Approximate percentage of the Company's issued share capital
				Number of underlying Shares entitled (in respect of share options of the Company)					
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2013	10,031,250	–	–	(3,343,750)	6,687,500	0.17%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	21,264,000	–	–	21,264,000	0.55%
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2013	10,031,250	–	(3,343,750)	–	6,687,500	0.17%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	21,264,000	–	–	21,264,000	0.55%
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2013	10,031,250	–	(3,343,750)	–	6,687,500	0.17%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	21,264,000	–	–	21,264,000	0.55%
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2013	1,003,125	–	–	(334,375)	668,750	0.02%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	2,000,000	–	–	2,000,000	0.05%
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	2,000,000	–	–	2,000,000	0.05%
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	2,000,000	–	–	2,000,000	0.05%
Mr. Kwok Wing Leung Andy	21 December 2011	0.2900	21 December 2012 – 20 December 2016	–	2,000,000	–	–	2,000,000	0.05%

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 2011, 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 2011, 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	52.19%
TIG Advisors LLC	Investment manager	261,400,000	6.80%

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 2011, 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 2011, 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 37 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	48.84%
– five largest customers combined	88.20%

The percentages of purchases for the year under review was attributable to the Group's major supplier were as follows:

– the largest supplier	39.51%
– five largest suppliers combined	87.02%

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.

DIRECTORS' REPORT

INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholder of the Company and their respective associates 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 Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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 2011 have been reviewed and commented on by the audit committee.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sun Ho
Chairman & CEO

23 March 2012

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF AGTECH HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 147, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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 Company and of the Group as at 31 December 2011, 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 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Revenue	7	**111,340,140**	105,143,580
Cost of sales and services		**(37,889,170)**	(40,782,791)
Gross profit		**73,450,970**	64,360,789
Investment and other income	9	**2,791,612**	1,102,253
Other gains and losses	10	**(2,527,850)**	970,582
Selling and administrative expenses		**(72,112,607)**	(70,846,906)
Share of profits of an associate	21	**5,736,740**	5,153,835
Profit from business operations		**7,338,865**	740,553
Gain on acquisition of additional interest in an associate	35(a)	**2,700,624**	–
Share-based payments		**(7,320,587)**	(6,122,251)
Net foreign exchange loss		**(341,338)**	(74,700)
Amortisation of other intangible assets	20	**(42,714,031)**	(40,904,060)
Finance costs	11	**(3,845,390)**	–
Loss before tax		**(44,181,857)**	(46,360,458)
Income tax (expense)/credit	12	**(1,490,909)**	5,345,881
Loss for the year	13	**(45,672,766)**	(41,014,577)
Other comprehensive income, net of income tax			
Translation differences on translating foreign operations		**31,469,483**	34,680,218
Reclassification adjustment on translation difference upon acquisition of additional interest in an associate		**(3,233,944)**	–
Translation differences released upon disposals of subsidiaries		**2,527,850**	353,719
Share of other comprehensive income of an associate	21	**1,682,953**	1,550,991
Other comprehensive income for the year, net of income tax		**32,446,342**	36,584,928
Total comprehensive income for the year		**(13,226,424)**	(4,429,649)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Loss attributable to:			
Owners of the Company		**(43,248,756)**	(37,798,646)
Non-controlling interests		**(2,424,010)**	(3,215,931)
		(45,672,766)	(41,014,577)
Total comprehensive income attributable to:			
Owners of the Company		**(10,903,127)**	(1,244,408)
Non-controlling interests		**(2,323,297)**	(3,185,241)
		(13,226,424)	(4,429,649)
Loss per Share			
Basic and diluted	16	**HK1.17 cents**	HK1.04 cents

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment	17	**60,645,058**	15,474,499
Goodwill	18	**767,997,278**	688,498,150
Other intangible assets	20	**22,413,061**	62,864,771
Interest in an associate	21	**–**	52,124,417
Deposits and prepayments	25	**24,600,112**	33,358,991
Other assets		**1,736,660**	1,676,594
Deferred tax assets	22	**3,138,691**	–
		880,530,860	853,997,422
Current assets			
Inventories	23	**24,226,521**	–
Trade receivables	24	**81,015,011**	37,595,399
Other receivables, deposits and prepayments	25	**73,393,994**	54,741,888
Pledged bank deposits	27	**26,612,786**	–
Bank balances and cash	26	**132,378,464**	140,867,489
		337,626,776	233,204,776
Current liabilities			
Trade payables	28	**14,590,727**	6,444,817
Accruals and other payables	29	**25,572,307**	20,011,359
Amount due to an associate	21	**–**	1,285,310
Secured bank borrowing	30	**61,150,000**	–
Current tax liabilities		**4,695,301**	2,560,234
		106,008,335	30,301,720
Net current assets		**231,618,441**	202,903,056
Total assets less current liabilities		**1,112,149,301**	1,056,900,478

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$	2010 HK$
Non-current liabilities			
Provision for warranties	31	**20,707,471**	–
Deferred tax liabilities	22	**10,833,110**	14,723,425
		31,540,581	14,723,425
Net assets		**1,080,608,720**	1,042,177,053
Capital and reserves			
Share capital	32	**7,687,907**	7,356,321
Reserves		**1,072,319,472**	1,031,896,094
Equity attributable to owners of the Company		**1,080,007,379**	1,039,252,415
Non-controlling interests		**601,341**	2,924,638
Total equity		**1,080,608,720**	1,042,177,053

The consolidated financial statements were approved and authorised for issue by the Board on 23 March 2012 and were signed on its behalf by:

Sun Ho
Director

Robert Geoffrey Ryan
Director

Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$	2010 HK$
Non-current assets			
Investments in subsidiaries	39	**–**	–
Current assets			
Amounts due from subsidiaries	39	**1,071,418,067**	1,018,008,854
Other receivables, deposits and prepayments	25	**401,353**	296,182
Bank balances and cash	26	**3,188,725**	25,502,558
		1,075,008,145	1,043,807,594
Current liabilities			
Accruals and other payables	29	**1,351,646**	10,725,500
Amounts due to subsidiaries	39	**219,961**	79,191
		1,571,607	10,804,691
Net current assets		**1,073,436,538**	1,033,002,903
Net assets		**1,073,436,538**	1,033,002,903
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	32	**7,687,907**	7,356,321
Reserves	40	**1,065,748,631**	1,025,646,582
Total equity		**1,073,436,538**	1,033,002,903

Sun Ho
Director

Robert Geoffrey Ryan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital HK$ (Note 32)	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(c))*	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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital HK$ (Note 32)	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 2011	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
Loss for the year	–	–	–	–	–	–	(43,248,756)	(43,248,756)	(2,424,010)	(45,672,766)
Other comprehensive income for the year	–	–	–	–	32,345,629	–	–	32,345,629	100,713	32,446,342
Total comprehensive income for the year	–	–	–	–	32,345,629	–	(43,248,756)	(10,903,127)	(2,323,297)	(13,226,424)
Recognition of equity-settled share-based payments	–	–	7,320,587	–	–	–	–	7,320,587	–	7,320,587
Shares issued on exercise of part of share options	71,586	61,812,523	(53,946,605)	–	–	–	–	7,937,504	–	7,937,504
Lapse of share options	–	–	(9,179,266)	–	–	–	9,179,266	–	–	–
Issue of Shares upon acquisition of subsidiaries *(Note 35(b))*	260,000	36,140,000	–	–	–	–	–	36,400,000	–	36,400,000
Transfer from accumulated losses	–	–	–	2,864,421	–	–	(2,864,421)	–	–	–
Balance at 31 December 2011	7,687,907	1,174,554,927	132,388,040	5,999,326	158,026,661	47,191,476	(445,840,958)	1,080,007,379	601,341	1,080,608,720

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 the transfer from the share premium account in a prior year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(44,181,857)**	(46,360,458)
Adjustments for:			
Gain on acquisition of additional interest in an associate	35(a)	**(2,700,624)**	–
Waiver of an amount due to a former associate		**(1,333,622)**	–
Share of profits of an associate		**(5,736,740)**	(5,153,835)
Expenses recognised in respect of equity-settled share-based payments		**7,320,587**	6,122,251
Depreciation of property, plant and equipment		**6,671,956**	7,283,133
Amortisation of other intangible assets		**42,714,031**	40,904,060
Provision for warranties		**1,287,437**	–
Loss on disposal of property, plant and equipment		**47,440**	427,409
Impairment losses recognised on other receivables, deposits and prepayments		**1,955,370**	–
Net losses on disposals of subsidiaries		**2,527,850**	353,719
Bank interest income		**(1,187,628)**	(938,487)
Finance costs recognised in profit or loss		**3,845,390**	–
		11,229,590	2,637,792
Movements in working capital			
Decrease in inventories		**1,067,103**	–
Decrease in deposits and prepayments		**8,758,879**	7,924,176
Decrease/(increase) in trade receivables		**20,063,459**	(20,142,879)
Increase in other receivables, deposits and prepayments		**(4,353,238)**	(2,587,964)
Increase in trade payables		**2,879,567**	6,444,817
(Decrease)/increase in accruals and other payables		**(16,323,147)**	4,259,075
Increase in amount due to an associate		**–**	1,285,310
Cash generated by/(used in) operations		**23,322,213**	(179,673)
Income taxes paid		**(8,855,292)**	(2,530,614)
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES		**14,466,921**	(2,710,287)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,187,628**	938,487
Dividend received from an associate		**–**	2,457,840
Payments for property, plant and equipment		**(1,049,887)**	(1,449,141)
Proceeds from disposal of property, plant and equipment		**198,091**	608,141
Net cash outflows on acquisition of subsidiaries	35	**(68,479,670)**	(18,278,494)
Increase in pledged bank deposits		**(24,458,592)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(92,602,430)**	(15,723,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares		**7,937,504**	8,444,939
Proceeds from secured bank borrowing		**61,150,000**	–
Capital contributed by non-controlling interests		**–**	3,050,000
Interest paid		**(3,845,390)**	–
NET CASH GENERATED BY FINANCING ACTIVITIES		**65,242,114**	11,494,939
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(12,893,395)**	(6,938,515)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**140,867,489**	141,520,650
EFFECT OF EXCHANGE RATE CHANGES		**4,404,370**	6,285,354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**132,378,464**	140,867,489
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**132,378,464**	140,867,489

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 2011, 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 and gaming technologies (game software, systems, hardware and terminals) business in the PRC. Details of the principal activities of such principal subsidiaries are set out in Note 39.

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

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

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations (the "new and revised HKFRS") 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 2011.

HKFRS (Amendments)	Improvements to HKFRS 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirements
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRS has no material effect on the consolidated financial statements of the Group for the current or prior years.

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

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2012.*
[3] *Effective for annual periods beginning on or after 1 July 2012.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*
[5] *Effective for annual periods beginning on or after 1 January 2014.*
[6] *Effective for annual periods beginning on or after 1 January 2015.*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

HKFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided that HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011) are applied early at the same time.

The Directors anticipate that HKFRS 10 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of HKFRS 10 and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosures requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 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 affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Income and expenses 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. Total comprehensive income of subsidiaries 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 (effective from 1 January 2010 onwards).

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 in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

When the Group loses control over a subsidiary, it (i) derecognises the assets (including any goodwill) and liability of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRS). 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.

Business combinations

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, 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 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.

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, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group 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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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 an associate 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, investment in an associate is 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's 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.

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 (and accessories) are supplied to the customers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

- 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 exchange reserve (attributed to non-controlling interests as appropriate).

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, 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 relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, 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 equity under the heading of exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

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

Share-based payment arrangements

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

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 accumulated losses.

Share options granted to consultants in an equity-settled share-based payment arrangement

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax 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.

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 associate, 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 each 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 and deferred tax are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are deprecated over the shorter of the lease term and their useful lives.

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.

Internally-generated intangible assets – 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;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure *(continued)*

- 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with finite useful lives 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).

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. When 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. When 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.

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.

When 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 are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined by the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

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 term; 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Financial assets at FVTPL (continued)

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 consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 6.

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, pledged bank deposits 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.

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 assets, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

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 Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no long recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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:

(i) the party is a person or a close member of that person's family and that person,

(a) has controls or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entity and the Group are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); and

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 judgements 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 tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding tax 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 tax 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 year.

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. The carrying amount of goodwill at 31 December 2011 is HK$767,997,278 (2010: HK$688,498,150). Details of the recoverable amount calculation are disclosed in Note 19.

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, of which the carrying amount at 31 December 2011 is HK$18,823,931 (2010: HK$58,893,704). 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 2011. Adjustment will be made in future periods if future market activities indicate that adjustments for impairment are appropriate.

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

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charge in the period in which such estimate is changed.

Estimated impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each reporting period.

Estimated impairment loss of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to economic conditions.

Deferred tax assets

Deferred tax assets in relation to temporary differences have been recognised in the consolidated statement of financial position. The recognition of deferred tax assets mainly depends on whether sufficient taxable temporary differences of future assessable profits will be available in the future. In cases where the actual future assessable profits generates are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the consolidated statement of comprehensive income in the period of the reversal takes place.

Provision for warranties

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values at the end of the reporting period. Management reviews and adjusts the provision to recognise the estimate at the end of the reporting period.

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 2010.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables, amount due to an associate and secured bank borrowing), 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:

	2011 **HK$**	2010 HK$
Debt	**101,313,034**	27,741,486
Less: Cash and cash equivalents	**132,378,464**	140,867,489
Net debt	**(31,065,430)**	(113,126,003)
Equity attributable to owners of the Company	**1,080,007,379**	1,039,252,415
Net debt to equity ratio	**N/A**	N/A

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Notes	2011 HK$	2010 HK$
Financial assets			
Loans and receivables			
Trade receivables	24	**81,015,011**	37,595,399
Financial assets included in other receivables, deposits and prepayments	25	**54,587,354**	44,189,405
Pledged bank deposits	27	**26,612,786**	–
Bank balances and cash	26	**132,378,464**	140,867,489
		294,593,615	222,652,293
Financial liabilities			
Financial liabilities at amortised cost			
Trade payables	28	**14,590,727**	6,444,817
Financial liabilities included in accruals and other payables	29	**18,181,587**	18,482,602
Amount due to an associate	21	**–**	1,285,310
Secured bank borrowing	30	**61,150,000**	–
		93,922,314	26,212,729

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, bank balances and cash, trade payables, accruals and other payables, amount due to an associate and secured bank borrowing. 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.

Interest rate risk

The Group's fair value interest rate risk primarily relates to secured bank borrowing, further details of this borrowing is set out in Note 30 to the consolidated financial statements. 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 cash flows of interest receipts. 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 2011 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.

6. FINANCIAL INSTRUMENTS (continued)

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

***Credit risk** (continued)*

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

At the end of the reporting period, the Group has certain concentrations of credit risk as 32% (2010: 69%) and 70% (2010: 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 24.

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 non-derivative 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.

	Weighted average interest rate %	On demand or within 1 year HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
At 31 December 2011				
Non-derivative financial liabilities				
Trade payables	**–**	**14,590,727**	**14,590,727**	**14,590,727**
Accruals and other payables	**–**	**18,181,587**	**18,181,587**	**18,181,587**
Secured bank borrowing	**10%**	**63,731,889**	**63,731,889**	**61,150,000**
		96,504,203	**96,504,203**	**93,922,314**
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

6. FINANCIAL INSTRUMENTS (continued)

(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.

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).

During the years ended 31 December 2011 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of Level 3 fair value measurements of financial assets

	2011	2010
	HK$	HK$
Dual currencies investments		
Opening balance	**–**	–
Gains recognised in profit or loss	**–**	1,324,301
Purchases	**–**	191,394,920
Settlements	**–**	(192,719,221)
Closing balance	**–**	–

The table above only includes financial assets.

7. REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC for the year, and is analysed as follows:

	2011 HK$	2010 HK$
Provision of sports lottery management and marketing consultancy services	**86,038,208**	105,143,580
Provision of gaming technologies (game software, systems, hardware and terminals) business	**25,301,932**	–
	111,340,140	105,143,580

8. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the Directors, for the purpose of resources allocation and performance assessment. In previous years, (i) lottery information technology solutions – provision of lottery advisory service to authorised operator of lottery in the PRC ("Information technology solutions") and (ii) operation for the Group's 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 SLACs and authorised operators of sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs for certain municipality and provinces and sports and media business in the PRC ("Consultancy services") were reported to the CODM as stand-alone business units and constituted separate operating segments. Following a change in the Group's operating and reporting structure, starting from the year 2011, such business activities are combined into a sole operating segment before being reported to the CODM. Accordingly, the CODM now reviews the Group's internal reporting based on one sole operating segment (as a professional service provider in China's sports lottery market).

Additional disclosure in relation to segment information is not presented as the Directors assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in the PRC.

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

	Revenue from external customers		Non-current assets*	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
PRC	**111,340,140**	105,143,580	**872,216,613**	846,374,740
Hong Kong	**–**	–	**5,175,556**	7,622,682
	111,340,140	105,143,580	**877,392,169**	853,997,422

* *Non-current assets excluding deferred tax assets.*

Information about major customers

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

	2011	2010
	HK$	HK$
Customer A	**54,373,614**	79,908,833
Customer B	**18,610,285**	N/A[1]
Customer C	**11,474,602**	N/A[1]
	84,458,501	79,908,833

1 *The corresponding revenue did not contribute over 10% of the total revenue of the Group in the prior year.*

9. INVESTMENT AND OTHER INCOME

	2011 HK$	2010 HK$
Interest income on bank deposits	**1,187,628**	938,487
Waiver of an amount due to a former associate	**1,333,622**	–
Sundry income	**270,362**	163,766
	2,791,612	1,102,253

10. OTHER GAINS AND LOSSES

	2011 HK$	2010 HK$
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)*	**(2,527,850)**	(353,719)
	(2,527,850)	970,582

11. FINANCE COSTS

	2011 HK$	2010 HK$
Interest on secured bank borrowing wholly repayable within five years	**3,845,390**	–

12. INCOME TAX EXPENSE/(CREDIT)

	2011 HK$	2010 HK$
Current tax:		
– PRC Enterprise Income Tax	**10,128,252**	4,524,833
Underprovision of current tax in prior years:		
– PRC Enterprise Income Tax	**511,004**	244,817
Deferred tax: *(Note 22)*		
– Current year	**(9,148,347)**	(10,115,531)
Total income tax recognised in profit or loss	**1,490,909**	(5,345,881)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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 2011 (2010: nil).

GOT is subject to PRC Enterprise Income Tax at 15% as GOT is recognised as an Advanced and New Technology Enterprise under the PRC Enterprise Income Tax Law. Other PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

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

	2011 HK$	2010 HK$
Loss before tax	**(44,181,857)**	(46,360,458)
Tax at domestic income tax rates	**(8,438,260)**	(8,645,796)
Tax effect of expenses not deductible for tax purpose	**16,093,898**	13,085,290
Tax effect of income not taxable for tax purpose	**(1,456,989)**	(6,276,980)
Tax effect of unrecognised estimated tax losses	**3,929,603**	6,362,319
Underprovision in prior year/period	**511,004**	244,817
Deferred taxation arising from dividend withholding tax	**1,225,080**	–
Reversal of temporary differences	**(10,373,427)**	(10,115,531)
	1,490,909	(5,345,881)

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2011 HK$	2010 HK$
Auditors' remuneration	**950,000**	800,000
Cost of inventories recognised as expenses (included in cost of sales and services)	**11,663,678**	–
Provision for warranties (included in cost of sales and services)	**1,287,437**	–
Depreciation of property, plant and equipment	**6,671,956**	7,283,133
Net losses on disposals of property, plant and equipment	**47,440**	427,409
Operating lease rentals in respect of rented premises	**5,176,044**	5,281,550
Research and development costs expensed as incurred	**3,805,013**	3,115,013
Impairment losses recognised on other receivables, deposits and prepayments	**1,955,370**	–
Net losses on disposals of subsidiaries *(Note 36)*	**2,527,850**	353,719
Employee benefit expense, including Directors' remunerations *(Note 14)*:		
Fees, salaries, discretionary bonuses and other benefits	**27,759,970**	27,991,659
Share-based payments	**3,516,476**	7,660,710
Social security costs	**3,469,048**	2,714,773
Retirement benefit schemes contributions	**133,431**	124,714
	34,878,925	38,491,856

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight Directors (2010: eight) were as follows:

For the year ended 31 December 2011

	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	407,413	–	2,639,406
Mr. Bai Jinmin	1,498,289	508,902	609,007	12,000	2,628,198
Mr. Liang Yu	1,235,259	229,321	798,025	77,360	2,339,965
Non-executive Director:					
Ms. Yang Yang	200,000	–	79,566	–	279,566
Independent non-executive Directors:					
Mr. Wang Ronghua	100,000	–	3,748	–	103,748
Mr. Hua Fengmao	100,000	–	3,748	–	103,748
Mr. Kwok Wing Leung Andy	100,000	–	3,748	–	103,748
Total emoluments	8,927,080	1,176,684	1,905,255	101,360	12,110,379

14. DIRECTORS' EMOLUMENTS (continued)

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

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2010: nil). None of the Directors has waived any emoluments during the year (2010: nil).

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2010: four) were Directors whose emoluments are included in Note 14 above. The emoluments of the remaining one (2010: one) highest paid individual were as follows:

	2011 HK$	2010 HK$
Salaries and other benefits	**598,986**	582,628
Discretionary bonus	**47,778**	59,180
Share-based payments	**407,413**	1,263,923
	1,054,177	1,905,731

The emoluments were within the following bands:

	2011 Number of employees	2010 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, 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 (2010: nil).

16. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2011 of HK$43,248,756 (2010: HK$37,798,646) and the weighted average number of 3,695,841,700 Shares (2010: 3,635,773,860 Shares) in issue during the year ended 31 December 2011.

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

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Sports lottery sales terminals HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
COST							
Balance at 1 January 2010	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 *(Note 35)*	–	–	–	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 and 1 January 2011	870,789	17,916,533	2,577,909	4,574,796	1,975,040	7,426,931	35,341,998
Additions	–	–	–	834,187	63,849	151,851	1,049,887
Disposals	–	–	–	(291,974)	(60,760)	(339,200)	(691,934)
Acquisitions through business combinations *(Note 35)*	45,770,121	–	262,200	109,095	3,850,975	621,349	50,613,740
Effect of foreign currency exchange differences	1,276	641,881	74,866	128,087	44,500	191,623	1,082,233
Balance at 31 December 2011	46,642,186	18,558,414	2,914,975	5,354,191	5,873,604	8,052,554	87,395,924
DEPRECIATION							
Balance at 1 January 2010	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 and 1 January 2011	108,849	8,880,029	2,357,373	2,883,226	1,535,719	4,102,303	19,867,499
Depreciation expense	293,150	3,717,977	199,440	852,474	341,569	1,320,443	6,725,053
Eliminated on disposals of assets	–	–	–	(251,065)	(33,203)	(162,135)	(446,403)
Effect of foreign currency exchange differences	3,402	311,825	66,811	73,319	31,649	117,711	604,717
Balance at 31 December 2011	405,401	12,909,831	2,623,624	3,557,954	1,875,734	5,378,322	26,750,866
CARRYING AMOUNTS							
Balance at 31 December 2011	46,236,785	5,648,583	291,351	1,796,237	3,997,870	2,674,232	60,645,058
Balance at 31 December 2010	761,940	9,036,504	220,536	1,691,570	439,321	3,324,628	15,474,499

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:

Leasehold land under finance lease	:	Over the lease term
Buildings	:	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% – 33⅓%
Motor vehicles	:	10% – 25%

Depreciation expenses of HK$3,715,282 (2010: HK$3,736,244) has been expensed in cost of sales and services, HK$2,956,674 (2010: HK$3,546,889) in selling and administrative expenses and HK$53,097 (2010: nil) were allocated in the cost of inventories, respectively.

Leasehold land and buildings with carrying amount of HK$45,492,647 (2010: nil) have been pledged to secure short-term borrowing (Note 30).

The Group's leasehold land and buildings were situated in the PRC and held under medium term lease.

18. GOODWILL

	HK$
COST	
Balance at 1 January 2010	663,365,373
Effect of foreign currency exchange differences	25,132,777
Balance at 31 December 2010 and 1 January 2011	688,498,150
Additional amounts recognised from business combinations occurring during the year *(Note 35)*	54,846,990
Effect of foreign currency exchange differences	24,652,138
Balance at 31 December 2011	767,997,278
CARRYING AMOUNTS	
Balance at 31 December 2011	767,997,278
Balance at 31 December 2010	688,498,150

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

19. IMPAIRMENT TESTING ON GOODWILL

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

- Information technology solutions
- Consultancy services

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

	2011	2010
	HK$	HK$
Information technology solutions	**3,130,797**	3,022,511
Consultancy services	**764,866,481**	685,475,639
	767,997,278	688,498,150

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 15.41% per annum (2010: 18.22%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. 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 (2010: 3%) and a discount rate of 14.84% per annum (2010: 18.22%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. 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 2011, management of the Group determined that there were no impairments of goodwill (2010: nil).

20. OTHER INTANGIBLE ASSETS

	Club membership HK$	Capitalised development costs HK$	Non-competition agreements HK$	Contracted Customer HK$	Total HK$
COST					
Balance at 1 January 2010	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 and 1 January 2011	1,741,936	2,674,957	5,842,104	198,248,976	208,507,973
Effect of foreign currency exchange differences	–	95,834	209,300	7,102,508	7,407,642
Balance at 31 December 2011	1,741,936	2,770,791	6,051,404	205,351,484	215,915,615
AMORTISATION AND IMPAIRMENT					
Balance at 1 January 2010	–	–	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 and 1 January 2011	–	445,826	4,771,052	140,426,324	145,643,202
Amortisation expense	–	462,584	1,111,310	41,140,137	42,714,031
Effect of foreign currency exchange differences	–	15,187	169,042	4,961,092	5,145,321
Balance at 31 December 2011	–	923,597	6,051,404	186,527,553	193,502,554
CARRYING AMOUNTS					
Balance at 31 December 2011	1,741,936	1,847,194	–	18,823,931	22,413,061
Balance at 31 December 2010	1,741,936	2,229,131	1,071,052	57,822,652	62,864,771

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. The amounts is amortised on a straight-line method over the estimated useful life of 6 years.

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

	2011 **HK$**	2010 HK$
Cost of investment in an associate (unlisted)	**47,877,431**	47,877,431
Share of post-acquisition profits and other comprehensive income, net of dividends received	**11,666,679**	4,246,986
Upon acquisition of additional interest in GOT	**(59,544,110)**	–
	–	52,124,417

On 28 April 2010, the Group acquired 100% of the issued share capital of Exequs Co. Ltd., a company incorporated in the 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. had no operations and its assets consisted of 35% indirect equity interest in an associate, namely GOT.

On 14 December 2011, the Group acquired the remaining 65% equity interest in GOT, thereby gaining control over GOT. GOT became an indirect wholly-owned subsidiary of the Company as from that date. Further details of the acquisition of additional interest in GOT are set out in Note 35(a) to the consolidated financial statements.

21. INTEREST IN AN ASSOCIATE (continued)

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

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

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

	At 14 December 2011 HK$	At 31 December 2010 HK$
Total assets	**174,739,129**	168,591,338
Total liabilities	**(34,102,220)**	(48,688,344)
Net assets	**140,636,909**	119,902,994

	Period from 1 January 2011 to 14 December 2011 HK$	Year ended 31 December 2010 HK$
Total revenue	**98,821,994**	168,297,674
Total profit for the period/year	**16,390,685**	16,212,443
Group's share of profits of an associate	**5,736,740**	5,153,835
Group's share of other comprehensive income of an associate	**1,682,953**	1,550,991

22. DEFERRED TAXATION

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

Deferred tax assets

	Provision for warranties HK$
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Acquisition through business combination *(Note 35(a))*	3,357,705
Effect of foreign currency exchange differences	(1,826)
Charge to profit or loss *(Note 12)*	(217,188)
At 31 December 2011	3,138,691

Deferred tax liabilities

	Accelerated tax depreciation HK$	Intangible assets HK$	Dividend withholding tax HK$	Total HK$
At 1 January 2010	–	24,018,011	–	24,018,011
Effect of foreign currency exchange differences	–	820,945	–	820,945
Credit to profit or loss *(Note 12)*	–	(10,115,531)	–	(10,115,531)
At 31 December 2010 and 1 January 2011	–	14,723,425	–	14,723,425
Recognised on business combination *(Note 35(a))*	4,935,061	–	–	4,935,061
Effect of foreign currency exchange differences	(3,181)	545,420	(2,080)	540,159
(Credit)/charge to profit or loss *(Note 12)*	(27,754)	(10,562,861)	1,225,080	(9,365,535)
At 31 December 2011	4,904,126	4,705,984	1,223,000	10,833,110

22. DEFERRED TAXATION (continued)

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$49,144,000 (2010: approximately HK$36,323,000) 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 31 December 2011, deferred tax liabilities have been recognised for the withholding tax that would be payable on the dividends declared in respect of profits earned by the PRC subsidiaries amounting to approximately HK$12,250,000 (2010: nil).

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$130,673,000 (2010: approximately HK$127,457,000) 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$5,760,000 (2010: approximately HK$18,934,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$124,913,000 (2010: approximately HK$108,523,000) may be carried forward indefinitely.

23. INVENTORIES

	2011	2010
	HK$	HK$
Raw materials	**12,772,274**	–
Finished goods	**11,454,247**	–
	24,226,521	–

24. TRADE RECEIVABLES

	2011 HK$	2010 HK$
Trade receivables	**81,015,011**	37,595,399

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:

	2011 HK$	2010 HK$
0 to 30 days	**63,511,642**	32,879,123
31 to 60 days	**2,084,076**	3,830,844
61 to 90 days	**5,876,461**	614,986
91 to 120 days	**1,687,740**	270,446
121 to 365 days	**2,677,563**	–
Over 365 days	**5,177,529**	–
	81,015,011	37,595,399

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.

At 31 December 2011, 21.61% (2010: 12.54%) of the trade receivables are past due but not impaired. Of the trade receivables balance at the end of the reporting period, approximately HK$25,842,000 (2010: approximately HK$26,009,000) 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.

24. TRADE RECEIVABLES (continued)

Ageing of past due but not impaired

	2011 HK$	2010 HK$
0 to 30 days	**2,084,076**	2,326,978
31 to 60 days	**5,876,461**	1,851,212
61 to 90 days	**1,687,740**	267,641
91 to 120 days	**2,278,676**	270,445
121 to 365 days	**5,576,415**	–
Total	**17,503,368**	4,716,276
Average age *(days)*	**115**	66

There was no provision for impairment losses in respect of trade receivables from customers at 31 December 2011 (2010: nil).

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011 **HK$**	2010 HK$	**2011** **HK$**	2010 HK$
Deposits paid to suppliers	**2,925,435**	2,279,352	**–**	–
Prepayments	**43,406,751**	43,911,474	**401,353**	296,182
Rental, utility and guarantee deposits	**1,905,076**	1,539,238	**–**	–
Other receivables	**49,756,844**	40,370,815	**–**	–
	97,994,106	88,100,879	**401,353**	296,182
Less: Deposits and prepayments classified as non-current assets	**(24,600,112)**	(33,358,991)	**–**	–
	73,393,994	54,741,888	**401,353**	296,182

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.

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest at 0.001% – 0.50% per annum (2010: 0.001% – 3.49% per annum) with an original maturity of three months or less.

At 31 December 2011, the bank balances and cash of approximately HK$122,131,000 (2010: approximately HK$103,588,000) were denominated in RMB which is not freely convertible into other currencies.

27. PLEDGED BANK DEPOSITS

At 31 December 2011, pledged bank deposits represent deposits held in certain designated bank accounts for a short-term bank borrowing (Note 30) and letter of guarantee in respect of certain sales contracts with customers. The pledged bank deposits carry effective interest at 2.25% – 3.10% per annum (2010: nil) and will be released upon the settlement of the relevant borrowing and the release of the letter of guarantee.

28. TRADE PAYABLES

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

	2011 HK$	2010 HK$
0 to 30 days	**13,588,021**	6,444,817
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 120 days	**–**	–
121 to 365 days	**945,688**	–
Over 365 days	**57,018**	–
	14,590,727	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.

29. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2011 HK$	2010 HK$	**2011 HK$**	2010 HK$
Accrued charges	**2,910,975**	2,525,239	**1,343,846**	1,217,700
Other payables	**22,661,332**	17,486,120	**7,800**	9,507,800
	25,572,307	20,011,359	**1,351,646**	10,725,500

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.

30. SECURED BANK BORROWING

	2011 HK$	2010 HK$
Secured term loan wholly repayable within one year	**61,150,000**	–

In May 2011, the Group entered into RMB50,000,000 (equivalent to HK$61,150,000) term-loan facility with a bank with maturity period of one year which bears interest at 10% per annum. The weighted average effective interest rate on the bank loan is 10% per annum (2010: nil).

The loan is secured by a charge over certain of the Group's assets as follows:

(a) A charge on the Group's leasehold land and buildings with carrying amount of HK$45,492,647 at 31 December 2011 (2010: nil) (Note 17);

(b) Pledged bank deposits for not less than an aggregate amount of RMB20,000,000 held in designated bank accounts (Note 27);

(c) A charge on the Group's 35% shareholding in GOT, (an indirect wholly-owned subsidiary of the Company); and

(d) A corporate guarantee executed by 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) to repay outstanding principal amount with accrued interests and penalties arising in the event of default, if any.

* *English name is for identification purpose only.*

31. PROVISION FOR WARRANTIES

	HK$
Balance at 1 January 2010, 31 December 2010 and 1 January 2011	–
Recognised on business combinations *(Note 35(a))*	21,310,537
Additional provision recognised	1,287,437
Amounts utilised during the year	(1,877,574)
Effect of foreign currency exchange differences	(12,929)
Balance at 31 December 2011	20,707,471

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

32. SHARE CAPITAL

	Number of Shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$0.002 each at 31 December 2010 and 2011	**5,000,000,000**	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 January 2010	**3,581,835,000**	7,163,670
Issue of Shares upon acquisition of subsidiaries *(Note 35(c))*	**57,894,000**	115,788
Exercise of part of a share option *(Note (a))*	**38,431,250**	76,863
Ordinary shares of HK$0.002 each at 31 December 2010	**3,678,160,250**	7,356,321
Issue of Shares upon acquisition of subsidiaries *(Note 35(b))*	**130,000,000**	260,000
Exercise of part of a share option *(Note (b))*	**35,793,125**	71,586
Ordinary shares of HK$0.002 each at 31 December 2011	**3,843,953,375**	7,687,907

Notes:

(a) *During the year ended 31 December 2010, part of the options for 38,431,250 shares of HK$0.002 each were exercised at 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.*

(b) *During the year ended 31 December 2011, part of the options for 35,793,125 shares of HK$0.002 each were exercised at exercise prices ranging from HK$0.2198 to HK$0.3000 per share, resulting in the issue of 35,793,125 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.

33. 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:

	2011	2010
	HK$	HK$
Within one year	**6,704,060**	1,896,884
In the second to fifth years inclusive	**7,858,034**	137,748
	14,562,094	2,034,632

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.

34. 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.

35. BUSINESS COMBINATIONS

(a) Acquisition of additional equity interest in GOT

On 14 December 2011, the Group acquired the remaining 65% equity interest in GOT at a cash consideration of RMB107,223,500 (equivalent to HK$131,220,119). Together with the 35% equity interest previously acquired by the Group through the acquisition of the Exequs Group (as defined in Note 35(c)) during the year ended 31 December 2010, the Group gained control over GOT and GOT became an indirect wholly-owned subsidiary of the Company since that date. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence in the PRC lottery industry.

The principal activities of GOT are research, development and production of sports lottery terminals and systems in the PRC.

35. BUSINESS COMBINATIONS (continued)

(a) Acquisition of additional equity interest in GOT (continued)

Consideration transferred

	2011 HK$
Cash	**131,220,119**

Acquisition-related costs amounting to HK$1,262,404 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income within the line item "Selling and administrative expenses".

Assets acquired and liabilities recognised at the date of acquisition

	At 14 December 2011 HK$
Current assets	
Inventories	**27,118,101**
Trade receivables	**58,602,784**
Other receivables, deposits and prepayments	**5,479,685**
Bank balances and cash	**61,426,724**
Pledged bank deposits	**2,154,194**
Non-current assets	
Property, plant and equipment *(Note 17)*	**49,500,344**
Deferred tax assets	**3,357,705**
Current liabilities	
Trade payables	**(4,372,781)**
Accruals and other payables	**(8,156,323)**
Current tax liabilities	**(262,579)**
Non-current liabilities	
Provision for warranties *(Note 31)*	**(21,310,537)**
Deferred tax liabilities *(Note 22)*	**(4,935,061)**
	168,602,256

35. BUSINESS COMBINATIONS (continued)

(a) Acquisition of additional equity interest in GOT (continued)

Goodwill arising on acquisition of GOT

	HK$
Consideration transferred	**131,220,119**
Plus: fair value of the previously held equity interest (35%)	**59,010,790**
Less: fair value of net identifiable assets acquired	**(168,602,256)**
Goodwill	**21,628,653**

Goodwill arose in the acquisition of GOT because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GOT. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisiton is expected to be deductible for tax purposes.

Net cash outflow on acquisition of GOT

	2011 HK$
Consideration paid in cash	**131,220,119**
Less: cash and cash equivalent balances acquired	**(61,426,724)**
Total	**69,793,395**

Impact of acquisition on the results of the Group

An aggregated gain of HK$2,700,624 was recognised as a result of remeasurement of the 35% equity interest in GOT previously held by the Group (Note 21) and the reclassification of foreign translation gain previously recognised in the exchange reserve.

Included in the loss for the year ended 31 December 2011 is post-acquisition loss of approximately HK$1,068,000 attributable to GOT. Revenue for the year includes approximately HK$19,707,000 in respect of GOT.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately HK$210,062,000 and the loss for the year would have been approximately HK$37,094,000. 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 2011, nor is it intended to be a projection of future results.

35. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Fortune Happy Investment Limited and its subsidiaries (collectively, the "Fortune Happy Group")

On 15 December 2011, the Group completed the acquisition of the entire equity interest in Fortune Happy Investment Limited. The consideration was satisfied wholly by the issue of 130,000,000 ordinary shares of HK$0.002 each in the capital of the Company. The market share price was HK$0.280 at the date of exchange. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence in the PRC lottery industry.

The principal activities of the Fortune Happy Group are the provision of online and phone lottery solutions in the PRC.

Consideration transferred

	2011 HK$
Consideration shares	**36,400,000**

Acquisition-related costs amounting to HK$464,057 have been excluded from the consideration transferred and have been recognised as an expense in the statement of consolidated comprehensive income within the line item "Selling and administrative expenses".

Assets acquired and liabilities recognised at the date of acquisition

	At 15 December 2011 HK$
Current assets	
Trade receivables	**4,880,287**
Other receivables, deposits and prepayments	**10,774,553**
Bank balances and cash	**1,313,725**
Non-current assets	
Property, plant and equipment *(Note 17)*	**1,113,396**
Current liabilities	
Trade payables	**(893,562)**
Accruals and other payables	**(13,727,772)**
Current tax liabilities	**(278,964)**
	3,181,663

35. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Fortune Happy Investment Limited and its subsidiaries (collectively, the "Fortune Happy Group") (continued)

Goodwill arising on acquisition

	HK$
Consideration transferred	**36,400,000**
Less: fair value of net identifiable assets acquired	**(3,181,663)**
Goodwill	**33,218,337**

Goodwill arose in the acquisition of the Fortune Happy Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Fortune Happy Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisiton is expected to be deductible for tax purposes.

Net cash inflow on acquisition of the Fortune Happy Group

	2011 HK$
Consideration paid in cash	–
Less: cash and cash equivalent balances acquired	**(1,313,725)**
Total	**(1,313,725)**

Impact of acquisition on the results of the Group

The Fortune Happy Group did not contribute significantly to the revenue or results of the Group for the year ended 31 December 2011.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately HK$132,988,000 and the loss for the year would have been approximately HK$47,434,000. 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 2011, nor is it intended to be a projection of future results.

35. BUSINESS COMBINATIONS (continued)

(c) Acquisition of Exequs Co. Ltd. and its subsidiaries (collectively, the "Exequs Group")

On 28 April 2010, the Group completed the acquisition of 100% of the issued share capital of Exequs Co. Ltd.. The principal activity of the Exequs Group is investment holding.

The consideration consisted of (i) cash in the amount of HK$18,500,000, (ii) cash consideration payable in the amount of HK$9,500,000 and (iii) issue of 57,894,000 ordinary shares of HK$0.002 each in the capital of the Company. The market share price was HK$0.405 at the date of exchange.

Consideration transferred

	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

Acquisition-related costs amounting to HK$889,320 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income within the line item "Selling and administrative expenses".

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)
	51,447,070

35. BUSINESS COMBINATIONS (continued)

(c) Acquisition of Exequs Co. Ltd. and its subsidiaries (collectively, the "Exequs Group") (continued)

Net cash outflow on acquisition of the Exequs Group

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

36. DISPOSALS OF SUBSIDIARIES

(a) For the year ended 31 December 2011

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

During the year ended 31 December 2011, the Group disposed of its entire equity interest in China Lottery Management (Hunan) Co., Ltd. upon deregistration.

Consideration received

	2011 HK$
Consideration received in cash and cash equivalents	–

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

	2011 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(2,527,850)
Loss on disposal included in profit or loss for the year ended 31 December 2011	(2,527,850)

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

	2011 HK$
Consideration received in cash and cash equivalents	–

36. DISPOSALS OF SUBSIDIARIES (continued)

(b) 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

	2010
	HK$
Consideration received in cash and cash equivalents	–

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

	2010
	HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(138,190)
Loss on disposal included in profit or loss for the year ended 31 December 2010	(138,190)

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

	2010
	HK$
Consideration received in cash and cash equivalents	–

36. DISPOSALS OF SUBSIDIARIES (continued)

(b) 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

	2010 HK$
Consideration received in cash and cash equivalents	–

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

	2010 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(215,529)
Loss on disposal included in profit or loss for the year ended 31 December 2010	(215,529)

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

	2010 HK$
Consideration received in cash and cash equivalents	–

* *English name is for identification purpose only.*

37. 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.

37. 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 years ended 31 December 2010 and 2011:

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Directors:														
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2010	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
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2010	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

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Directors:														
Mr. Bai Jinmin	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2010	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
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	5,316,000	–	–	–	5,316,000

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Directors:														
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2010	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
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	500,000	–	–	–	500,000
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	500,000	–	–	–	500,000

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Directors:														
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	500,000	–	–	–	500,000
Mr. Kwok Wing Leung Andy	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	500,000	–	–	–	500,000
Eligible employees and other eligible participants:														
	27 September 2006	0.218	27 September 2009 – 26 September 2010	1,250,000	–	(1,250,000)	–	–	–	–	–	–	–	–
	9 October 2008	0.2198	9 October 2009 – 8 October 2010	35,171,875	–	(25,503,125)	(9,668,750)	–	–	–	–	–	–	–
			9 October 2010 – 8 October 2011	35,671,875	–	(1,312,500)	–	(5,312,500)	29,046,875	–	(26,980,625)	(2,066,250)	–	–
			9 October 2011 – 8 October 2012	35,671,875	–	–	–	(5,312,500)	30,359,375	–	(1,250,000)	–	(375,000)	28,734,375
			9 October 2012 – 8 October 2013	35,671,875	–	–	–	(5,312,500)	30,359,375	–	–	–	(375,000)	29,984,375

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Eligible employees and other eligible participants:														
	6 July 2010	0.300	6 July 2011 – 5 July 2012	–	2,250,000	–	–	–	2,250,000	–	(875,000)	–	(1,250,000)	125,000
			6 July 2012 – 5 July 2013	–	2,250,000	–	–	–	2,250,000	–	–	–	(1,250,000)	1,000,000
			6 July 2013 – 5 July 2014	–	2,250,000	–	–	–	2,250,000	–	–	–	(1,250,000)	1,000,000
			6 July 2014 – 5 July 2015	–	2,250,000	–	–	–	2,250,000	–	–	–	(1,250,000)	1,000,000
	30 March 2011	0.3300	30 March 2012 – 29 March 2013	–	–	–	–	–	–	4,350,000	–	–	–	4,350,000
			30 March 2013 – 29 March 2014	–	–	–	–	–	–	4,350,000	–	–	–	4,350,000
			30 March 2014 – 29 March 2015	–	–	–	–	–	–	4,350,000	–	–	–	4,350,000
			30 March 2015 – 29 March 2016	–	–	–	–	–	–	4,350,000	–	–	–	4,350,000
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	–	–	–	–	–	38,132,000	–	–	–	38,132,000
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	38,132,000	–	–	–	38,132,000
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	38,132,000	–	–	–	38,132,000
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	38,132,000	–	–	–	38,132,000

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011
Consultants:														
	24 May 2011	0.4650	21 December 2012 – 20 December 2013	–	–	–	–	–	–	6,400,000	–	–	(6,400,000)	–
			21 December 2013 – 20 December 2014	–	–	–	–	–	–	6,400,000	–	–	(6,400,000)	–
			21 December 2014 – 20 December 2015	–	–	–	–	–	–	6,400,000	–	–	(6,400,000)	–
			21 December 2015 – 20 December 2016	–	–	–	–	–	–	6,400,000	–	–	(6,400,000)	–
Total				184,900,000	9,000,000	(38,431,250)	(9,668,750)	(15,937,500)	129,862,500	267,320,000	(35,793,125)	(5,744,375)	(31,350,000)	324,295,000
Exercisable at the end of the year				46,787,500					39,412,500					39,225,000
Weighted average exercise price				HK$0.2198	HK$0.300	HK$0.2197	HK$0.2198	HK$0.2198	HK$0.2254	HK$0.3094	HK$0.2218	HK$0.2198	HK$0.4328	HK$0.2750

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

The following share options granted under the Share Option Scheme were exercised during the years ended 31 December 2011 and 2010:

For the year ended 31 December 2011

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	9,500,000	24 January 2011	0.30	0.31
9 October 2008	125,000	14 February 2011	0.29	0.29
9 October 2008	125,000	18 February 2011	0.29	0.29
9 October 2008	1,671,875	25 May 2011	0.43	0.44
9 October 2008	500,000	14 June 2011	0.43	0.42
9 October 2008	62,500	23 June 2011	0.47	0.43
6 July 2010	875,000	6 July 2011	0.47	0.47
9 October 2008	250,000	23 August 2011	0.40	0.40
9 October 2008	3,340,000	14 September 2011	0.42	0.43
9 October 2008	6,218,750	30 September 2011	0.34	0.35
9 October 2008	12,250,000	7 October 2011	0.31	0.34
9 October 2008	750,000	14 October 2011	0.35	0.35
9 October 2008	125,000	26 October 2011	0.34	0.34
	35,793,125			

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	0.24	0.24
9 October 2008	187,500	23 April 2010	0.34	0.37
9 October 2008	125,000	12 May 2010	0.35	0.35
9 October 2008	250,000	24 May 2010	0.34	0.33
9 October 2008	3,343,750	23 June 2010	0.31	0.31
9 October 2008	312,500	16 August 2010	0.29	0.29
27 September 2006	1,250,000	2 September 2010	0.29	0.26
9 October 2008	125,000	2 September 2010	0.29	0.26
9 October 2008	21,503,125	4 October 2010	0.32	0.32
9 October 2008	1,312,500	5 October 2010	0.34	0.32
9 October 2008	334,375	7 October 2010	0.47	0.47
9 October 2008	1,687,500	8 October 2010	0.48	0.47
9 October 2008	312,500	4 November 2010	0.37	0.38
9 October 2008	375,000	16 November 2010	0.35	0.37
9 October 2008	625,000	6 December 2010	0.33	0.35
	38,431,250			

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

At 31 December 2011, the number of Shares of which options had been granted and remained outstanding under the Share Option Scheme was 324,295,000 (2010: 129,862,500), representing approximately 8.44% (2010: 3.53%) of the Company's issued share capital at that date.

The fair values of options granted during the years ended 31 December 2011 and 2010 were calculated using the binominal model, details of which are as follows:

	Date of grant		
	21 December 2011	**30 March 2011**	6 July 2010
Number of Shares to be issued upon exercise of options granted	224,320,000	17,400,000	9,000,000
Estimated fair values of options granted	HK$30,689,906	HK$3,049,982	HK$1,551,218
Significant inputs into the model:			
Closing share price at date of grant	HK$0.29	HK$0.33	HK$0.30
Exercise price	HK$0.29	HK$0.33	HK$0.30
Expected volatility	65.56%-84.52%	74.65%-88.38%	90.99%-93.57%
Expected life of options	2-5 years	2-5 years	2-5 years
Risk-free interest rate	0.35%-0.75%	0.667%-1.899%	0.60%-1.49%
Dividend yield	Nil	Nil	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.

38. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions based on the terms mutually agreed between the parties involved:

	2011 HK$	2010 HK$
Sale of sports lottery sales terminals to an associate	–	327,712
Research and development expenditures paid to an associate	–	1,274,097
Waiver of an amount due to a former associate	(1,333,622)	–

Compensation of key management personnel

The remuneration of the Directors (who are the key management personnel of the Group) during the year was as follows:

	2011 HK$	2010 HK$
Short-term employee benefits	10,103,764	9,773,027
Share-based payments	1,905,255	4,676,833
Post-employment benefits	101,360	91,777
	12,110,379	14,541,637

39. INVESTMENTS IN SUBSIDIARIES

	2011 HK$	2010 HK$
Unlisted shares, at cost	7,800	7,800
Less: Impairment loss recognised in prior year	(7,800)	(7,800)
	–	–

39. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2011 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 game software 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$11.8 million	51% (indirect)	Sales and distribution of game software 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
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)
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

39. INVESTMENTS IN SUBSIDIARIES (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
Fortune Happy Investment Limited	Incorporated	Hong Kong	Hong Kong	10,000 ordinary shares of HK$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
GOT *(Note 1)*	Domestic enterprise	PRC	PRC	Registered capital of US$5 million	100% (indirect)	Research, development and production of sports lottery terminals and systems
Silvercreek *(Note 2)*	Domestic enterprise	PRC	PRC	Registered capital of RMB10 million	100% (indirect)	Provision of online and phone lottery solutions

* *English name is for identification purpose only.*

Notes:

1. *At 31 December 2011, 35% equity interest of GOT was pledged for a secured short-term borrowing of RMB50,000,000 (equivalent to HK$61,150,000) granted to the Group (Note 30).*

2. *Silvercreek is a limited liability company established in the PRC to be operated for a period of 15 years up to 2016. The equity interest is held by individual nominees on behalf of the Group.*

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.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

40. RESERVES

The Company

	Share premium HK$	Share options reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2010	999,549,566	237,650,324	47,191,476	(288,035,991)	996,355,375
Loss for the year	–	–	–	(8,530,402)	(8,530,402)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(8,530,402)	(8,530,402)
Recognition of equity-settled share-based payments	–	6,122,251	–	–	6,122,251
Shares issued on exercise of part of share options	53,721,556	(45,353,480)	–	–	8,368,076
Lapse of share options	–	(10,225,771)	–	10,225,771	–
Issue of Shares upon acquisition of subsidiaries *(Note 35(c))*	23,331,282	–	–	–	23,331,282
Balance at 31 December 2010 and 1 January 2011	1,076,602,404	188,193,324	47,191,476	(286,340,622)	1,025,646,582
Loss for the year	–	–	–	(11,224,456)	(11,224,456)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(11,224,456)	(11,224,456)
Recognition of equity-settled share-based payments	–	7,320,587	–	–	7,320,587
Shares issued on exercise of part of share options	61,812,523	(53,946,605)	–	–	7,865,918
Lapse of share options	–	(9,179,266)	–	9,179,266	–
Issue of Shares upon acquisition of subsidiaries *(Note 35(b))*	36,140,000	–	–	–	36,140,000
Balance at 31 December 2011	1,174,554,927	132,388,040	47,191,476	(288,385,812)	1,065,748,631

41. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with the financial statements of the Company to the extent of HK$11,224,456 (2010: HK$8,530,402).

42. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2010: nil).

FINANCIAL SUMMARY

RESULTS

	For the period				
	1 January – 31 December 2011 HK$	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$
Revenue					
– continuing operations	**111,340,140**	105,143,580	33,822,293	58,988,495	43,163,581
– discontinued operation	**–**	–	340,447	2,633,483	1,806,589
Total	**111,340,140**	105,143,580	34,162,740	61,621,978	44,970,170
Loss for the year attributable to owners of the Company					
– continuing operations	**(43,248,756)**	(37,798,646)	(44,268,184)	(189,237,306)	(126,898,578)
– discontinued operation	**–**	–	8,897,185	(262,425)	(1,637,475)
Total	**(43,248,756)**	(37,798,646)	(35,370,999)	(189,499,731)	(128,536,053)

ASSETS AND LIABILITIES

	As at				
	31 December 2011 HK$	31 December 2010 HK$	31 December 2009 HK$	30 June 2009 HK$	30 June 2008 HK$
Total assets	**1,218,157,636**	1,087,202,198	1,036,008,408	1,073,894,601	1,152,055,442
Total liabilities	**(137,548,916)**	(45,025,145)	(30,465,966)	(36,812,081)	(44,421,781)
	1,080,608,720	1,042,177,053	1,005,542,442	1,037,082,520	1,107,633,661
Equity attributable to owners of the company	**1,080,007,379**	1,039,252,415	1,002,482,563	1,034,828,450	1,103,511,128
Non-controlling interests	**601,341**	2,924,638	3,059,879	2,254,070	4,122,533
	1,080,608,720	1,042,177,053	1,005,542,442	1,037,082,520	1,107,633,661