

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, 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 announcement.

REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and jointly controlled entities (together the “Group”) for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	2010 <i>HK\$’000</i>	2009 <i>HK\$’000</i>
Turnover	<i>3</i>	1,614,328	1,272,069
Cost of sales/services rendered		(671,150)	(635,508)
Other income	<i>3</i>	22,432	8,085
Other (losses)/gains, net	<i>3</i>	(5,526)	19,496
Selling and distribution expenses		(73,178)	(46,329)
Administrative expenses		(203,391)	(165,968)
Operating profit		683,515	451,845
Finance costs		(3,384)	(1,608)
Profit before taxation	<i>5</i>	680,131	450,237
Taxation	<i>6</i>	(35,677)	(34,082)
Profit for the year		644,454	416,155

		2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		636,016	424,581
Non-controlling interests		8,438	(8,426)
		<u>644,454</u>	<u>416,155</u>
Earnings per share for profit attributable to equity holders of the Company			
	<i>8</i>		
-Basic		<u>8.26 cents</u>	<u>5.66 cents</u>
-Diluted		<u>8.23 cents</u>	<u>5.63 cents</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	644,454	416,155
Other comprehensive income		
Exchange difference arising from translation of financial statements of foreign operations	<u>16,809</u>	<u>6</u>
Total comprehensive income for the year	<u>661,263</u>	<u>416,161</u>
Attributable to:		
Equity holders of the Company	651,055	424,587
Non-controlling interests	<u>10,208</u>	<u>(8,426)</u>
	<u>661,263</u>	<u>416,161</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		236,607	156,428
Prepaid lease payments on land use rights		36,103	36,120
Investment property		1,159	962
Goodwill		1,702,266	1,694,266
Intangible assets		103,650	109,663
Deposits for acquisition of leasehold land use rights		–	3,129
Statutory deposits		833	632
Deferred tax assets		46	1,580
		<hr/>	<hr/>
Total non-current assets		2,080,664	2,002,780
Current assets			
Inventories		138,793	99,929
Trade receivables	9	867,998	679,029
Utility and other deposits		287,916	248,056
Prepayments and other receivables		430,876	385,459
Financial assets at fair value through profit or loss		8,514	23,064
Cash and bank balances		294,214	353,158
		<hr/>	<hr/>
Total current assets		2,028,311	1,788,695
		<hr/>	<hr/>
Total assets		4,108,975	3,791,475
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		77,677	75,902
Reserves		3,600,113	3,261,548
Proposed final dividend		43,608	33,083
		<hr/>	<hr/>
		3,721,398	3,370,533
Non-controlling interests		52,710	76,138
		<hr/>	<hr/>
Total equity		3,774,108	3,446,671

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>59,933</u>	<u>47,338</u>
Total non-current liabilities		<u>59,933</u>	<u>47,338</u>
Current liabilities			
Trade payables	<i>10</i>	77,494	111,133
Other payables and accruals		54,159	77,095
Borrowings		111,466	80,190
Current tax liabilities		<u>31,815</u>	<u>29,048</u>
Total current liabilities		<u>274,934</u>	<u>297,466</u>
Total liabilities		<u>334,867</u>	<u>344,804</u>
Total equity and liabilities		<u><u>4,108,975</u></u>	<u><u>3,791,475</u></u>
Net current assets		<u><u>1,753,377</u></u>	<u><u>1,491,229</u></u>
Total assets less current liabilities		<u><u>3,834,041</u></u>	<u><u>3,494,009</u></u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2. CHANGES IN ACCOUNTING POLICIES

Adoption of new or revised accounting standards

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

HKFRS 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to HKFRS 5	Non-current assets held for sale and discontinued operations – Plan to sell the controlling interest in a subsidiary
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRS (2009)	
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of the above new or revised HKFRS has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except that the following set out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

- The Group had early adopted HKFRS 3 (Revised) and HKAS 27 (Revised) to transactions during the year ended 31 December 2009. The early application of these two revised standards in last year had no material impact on the Group’s consolidated financial statements for the current year.

- The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRS other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRS require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements. This clarification has no effect on the disclosures of the Group’s consolidated financial statements.

- The amendment to HKAS 39 has had no material impact on the Group’s financial statements as the amendment was consistent with policies already adopted by the Group.

- Improvements to HKFRS (2009) issued in May 2009 sets out amendments to a number of HKFRS. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:
 - HKAS 7 Statement of cash flows: requires that only expenditure that result in a recognised asset in the balance sheet can be classified as a cash flow from investing activities.

 - The amendment introduced by the Improvements to HKFRS (2009) omnibus standard in respect of HKAS 17, Leases, had no impact to the Group’s financial statements as the Group does not have any Hong Kong leasehold land interest.

- HK(IFRIC) – Int 17 clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. Under HK(IFRIC) – Int 17, the dividend should be measured at the fair value of the assets to be distributed, and any difference between the carrying amount of the dividend payable and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This accounting treatment has no material effect to the Group’s consolidated financial statements.

- HK(Int) 5, Hong Kong Interpretation 5, clarifies that term loans that include a clause that gives the lender the conditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. HK(Int) 5 requires retrospective application. The adoption of HK(Int) 5 has had no material impact on the Group’s financial statements as the Interpretation’s conclusions were consistent with policies already adopted by the Group.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRS 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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

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

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover		
Commission income and handling fee income	4,114	4,765
Interest income from		
– banks	5	10
– margin clients	274	397
– loan receivables	–	6,825
Income from provision of lottery machines and related services	<u>1,609,935</u>	<u>1,260,072</u>
	<u>1,614,328</u>	<u>1,272,069</u>
Other income		
Interest income on bank deposits	1,022	698
Sundry income	15,806	3,547
Dividend income from listed securities	–	38
Rental income from		
– investment property	112	140
– sub-letting of rented premises	<u>5,492</u>	<u>3,662</u>
	<u>22,432</u>	<u>8,085</u>
Other (losses)/gains, net		
Net (losses)/gains on disposal of financial assets at fair value through profit or loss	(4,038)	3,487
Fair value (losses)/gains on financial assets at fair value through profit or loss	(2,714)	16,009
Exchange gains	1,052	–
Fair value gain on investment property	<u>174</u>	<u>–</u>
	<u>(5,526)</u>	<u>19,496</u>
	<u>1,631,234</u>	<u>1,299,650</u>
Total interest income on financial assets not at fair value through profit or loss	<u>1,301</u>	<u>7,930</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

- Lottery business
- Financial services

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

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

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

Business segments

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

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

The segment results for the year ended 31 December 2009 and segment assets and liabilities at 31 December 2009 are as follows:

	As at and for the year ended		
	31 December 2009		
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>1,260,072</u>	<u>11,997</u>	<u>1,272,069</u>
Segment results	460,327	(774)	459,553
Net unallocated expenses			<u>(9,316)</u>
Profit before taxation			450,237
Taxation			<u>(34,082)</u>
Profit for the year			<u>416,155</u>
Assets			
Segment assets	3,445,365	71,388	3,516,753
Unallocated assets			<u>274,722</u>
Total assets			<u>3,791,475</u>
Liabilities			
Segment liabilities	264,716	34,893	299,609
Unallocated liabilities			<u>45,195</u>
Total liabilities			<u>344,804</u>

(b) *Other segment information*

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

	For the year ended 31 December 2009		
	Lottery	Financial	Total
	business	services	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Other information			
Depreciation and amortisation	49,301	510	49,811
Allowance for impairment of bad and doubtful debts	62	–	62
Bad debts written off	252	170	422
Capital expenditure	67,160	–	67,160

Geographical segments

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

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

As at and for the year ended 31 December 2009

	Segment results and profit/(loss) before taxation		Total assets	Total liabilities	Capital expenditure
	Turnover	taxation	Total assets	liabilities	Capital
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	11,997	(10,090)	76,610	80,088	–
The PRC	<u>1,260,072</u>	<u>460,327</u>	<u>3,714,865</u>	<u>264,716</u>	<u>67,160</u>
	<u>1,272,069</u>	<u>450,237</u>	<u>3,791,475</u>	<u>344,804</u>	<u>67,160</u>

Information about major customers

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

5. PROFIT BEFORE TAXATION

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Auditors' remuneration		
– audit services	2,782	2,479
– other services	656	385
Allowance for impairment of bad and doubtful debts, net	30	62
Bad debts written off, net	–	422
Cost of inventories sold	189,746	239,428
Forfeiture of deposits for acquisition of leasehold land use rights	3,201	–
Research and development costs	13,137	10,552
Loss on disposal of property, plant and equipment	720	8,853
Depreciation and amortisation on		
– property, plant and equipment	57,390	41,775
– prepaid lease payments on land use rights	775	758
– intangible assets	7,194	7,278
Operating lease rentals in respect of		
– office premises and warehouse	32,004	29,983
– machinery	<u>1,163</u>	<u>1,136</u>

6. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the year (2009: Nil).

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

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

Two of the subsidiaries of the Group's lottery business in the PRC, Shenzhen Kingsail Software Tech Co Ltd and 深圳市思樂數據設備服務有限公司 were established and operate at the Shenzhen Special Economic Zone of the PRC for which the applicable preferential tax rate was 22% (2009: 20%).

According to the provisions stipulated in the tax circular, Jingdishuiqi [2009] No. 50, one of the subsidiaries of the Group's lottery business in the PRC, 彩通天成(北京)科技有限公司, is exempted from income tax for two years commencing from 2009, followed by a 50% reduction for the following three years to 2013.

The applicable income tax rate for the remaining subsidiaries of the Group's lottery business in the current year is 25% (2009: 25%) as their tax holiday and concession periods, if any, have expired.

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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
– PRC income tax	24,702	33,623
– (Over)/underprovision in respect of previous year	(2,513)	3,301
	22,189	36,924
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	13,412	(2,190)
Attributable to change in tax rates	76	(652)
Taxation charge	35,677	34,082

7. DIVIDENDS

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid of 0.35 HK cent (2009: 0.18 HK cent) per ordinary share	27,031	13,633
Proposed final dividend of 0.56 HK cent (2009: 0.43 HK cent) per ordinary share	43,608	33,083
	70,639	46,716

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

The final dividend of HK\$33,175,000 for financial year 2009 was approved and paid in financial year 2010.

8. EARNINGS PER SHARE

(a) *Basic earnings per share*

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

	2010	2009
Profit attributable to equity holders of the Company (in thousand HK\$)	<u><u>636,016</u></u>	<u><u>424,581</u></u>
Weighted average number of ordinary shares in issue (in thousand)	<u><u>7,699,925</u></u>	<u><u>7,495,753</u></u>
Basic earnings per share	<u><u>8.26 cents</u></u>	<u><u>5.66 cents</u></u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company for the year divided by the weighted average number of ordinary shares, being the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year.

	2010	2009
Profit for the year, used in the basic and diluted earnings per share calculation (in thousand HK\$)	<u><u>636,016</u></u>	<u><u>424,581</u></u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (in thousand)	<u><u>7,699,925</u></u>	<u><u>7,495,753</u></u>
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year (in thousand)	<u><u>27,232</u></u>	<u><u>44,483</u></u>
	<u><u>7,727,157</u></u>	<u><u>7,540,236</u></u>
Diluted earnings per share	<u><u>8.23 cents</u></u>	<u><u>5.63 cents</u></u>

9. TRADE RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Margin client receivables, net	4,497	2,507
Other client receivables, net	1,199	841
Broker receivables	131	6,316
Amount due from clearing house	2,064	–
Loan receivables	1,478	1,478
Loan interest receivables	391	391
Trade receivables – Lottery business	<u>858,238</u>	<u>667,496</u>
	<u>867,998</u>	<u>679,029</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on the Stock Exchange with market value of approximately HK\$21,882,000 as at 31 December 2010 (2009: HK\$18,720,000). No ageing analysis is disclosed for margin client receivables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking.

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

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

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

	As at 31 December 2010		
	Loan receivables and loan interest receivables <i>HK\$'000</i>	Trade receivables – Lottery business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months or less	–	548,537	548,537
One year or less but over three months	–	299,893	299,893
Over one year	<u>1,869</u>	<u>9,808</u>	<u>11,677</u>
	<u>1,869</u>	<u>858,238</u>	<u>860,107</u>

	As at 31 December 2009		
	Loan receivables and loan interest receivables <i>HK\$'000</i>	Trade receivables – Lottery business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months or less	–	482,202	482,202
One year or less but over three months	–	180,271	180,271
Over one year	<u>1,869</u>	<u>5,023</u>	<u>6,892</u>
	<u>1,869</u>	<u>667,496</u>	<u>669,365</u>

10. TRADE PAYABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Margin client payables	4,641	4,863
Other client payables	13,189	28,515
Amount due to clearing house	–	71
Trade payables – Lottery business	53,850	60,809
Bills payables – Lottery business	<u>5,814</u>	<u>16,875</u>
	<u>77,494</u>	<u>111,133</u>

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

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

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

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

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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Three months or less	32,016	52,023
Over three months	21,834	8,786
	53,850	60,809

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The reclassification has no effect on the Group's results and financial position for the current and prior years.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the financial year ended 31 December 2010.

BUSINESS REVIEW AND PROSPECTS

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

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

Lottery Business

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

Turnover of the lottery business for the year increased by 27.8% to HK\$1,609,935,000 (2009: HK\$1,260,072,000), accounting for 99.7% of the total turnover. Results from this segment recorded a growth of 54.5% to HK\$710,980,000 (2009: HK\$460,327,000).

China Lottery Market

China Lottery Market continued to record a strong growth in 2010 with sales of approximately RMB166.2 billion (2009: RMB132.5 billion), up 25% year over year. Welfare Lottery accounted for about 58% (RMB96.8 billion) of total lottery sales while Sports Lottery accounted for about 42% (RMB69.4 billion).

During the year, Welfare Computer Ticket Games ("CTG") accounted for about 75% of total Welfare Lottery sales; Welfare Scratch Cards was about 15% and Video Lottery Terminals ("VLT") took about 10%.

Welfare CTG sales registered a healthy growth in 2010, up 12% year over year to RMB73 billion. The successful marketing campaign for Dual Colour Ball game started in October was instrumental in boosting the Welfare CTG sales in fourth quarter, during which Welfare CTG sales increased by 15% period-on-period.

Welfare Scratch Cards sales recorded a strong growth of 56% during the year to RMB14.5 billion. The increasing popularities on the higher face value tickets launched since the end of first quarter contributed to the growth at such an impressive pace.

VLT sales reached RMB9.3 billion and regained the momentum of growth after regulator had approved the launch of new games in different regions in the country.

In respect of Sports Lottery, Sports CTG accounted for about 76% of total Sports Lottery sales and Sports Scratch Cards took about 24%.

Sales of Sports CTG, including Single Match Games (“SMG”), increased by 27% year over year to approximately RMB53 billion. This growth was partially attributed to the growing popularity of SMG stimulated by the South Africa World Cup which was held in June 2010. Total sales of SMG was estimated to be about RMB6 billion in 2010 (2009: RMB130 million).

Sports Scratch Cards sales in 2010 reached RMB16.4 billion, registered an increase of 8% when compared to 2009. Sales of Sports Scratch Cards, while continued to be strong, were impacted due to the competition from Welfare Scratch Cards.

System and Games Development Business

During the year under review, the Group’s SGDB Division has continued to deliver solid earnings and the business development has sustained good momentum. Our SGDB Division is an active participant in the provision of systems and equipments for both CTG and Scratch Cards products in China.

Welfare CTG Business

The Group's Welfare CTG business is principally conducted through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), a non-wholly owned subsidiary of the Group which the Company owns 89.84%. Sinodata is the leading system and equipment supplier for the Welfare CTG market in China. During the year under review, it successfully maintained its market shares in providing services to 16 lottery provinces in China.

In 2010, Welfare CTG continued to maintain its leading position as the largest segment in the China Lottery Market, accounting for about 44% of the total lottery sales in China. Given its respectable weight in the lottery market, we believe the stable growth of this segment will give positive contribution to the Group's revenue base.

Welfare Scratch Cards Business

Welfare Scratch Cards sales registered a very substantial growth in 2010, up 56% to RMB14.5 billion. The roll out of Welfare Scratch Cards with higher face value since the end of first quarter, coupled with the launch of other theme based tickets, had proven to be instrumental in pushing up the Scratch Cards sales.

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

The Group is also involved in Scratch Cards printing business and its printing facilities are located at Shijiazhuang, the Provincial Capital of Hebei Province. Through a cooperative venture with Shijiazhuang Offset Printing House, one of three entities authorized to print for the Welfare Scratch Cards programs, our Group is contributing to the development of Welfare Scratch Cards in China.

Sports CTG Business

The Group's Sports CTG business involved the sales of CTG machines to the Provincial Sports Lottery Centres across China. Apart from serving the traditional CTG segment, the Group also focused on the development of high frequency games running on CTG based or electronic platforms and the deployment of system and equipment in support of the SMG roll out in China.

During the year under review, sales of CTG machines were primarily generated by the collective demand of normal replacement and SMG roll out. The Group is poised to capture the business opportunities in these areas as we believe they will make significant contribution to the success of the Group's business in the future.

Distribution and Marketing Business

Taking advantage of the successful performance attained in SGDB Division, the Group had commenced the DMB Division in late 2008 by taking the first steps in establishing a physical distribution network under the cooperation distribution model. Subsequently, the Group launched its mobile lottery business which heralded the Group's entry into electronic lottery platform. The Group has also been playing an active role in setting up dedicated franchised shops for SMG in supporting the launch of SMG in China.

Although the DMB Division is a relatively new business unit of the Group, it has already demonstrated its strong growth potential and great significance of lottery distribution channels to China Lottery Market. After 2 years of investment and network building, the DMB Division has become one of the major distribution channels for various lottery products in China Lottery Market and it has started to make meaningful contribution to the Group during the year under review.

In October, the Ministry of Finance issued the Provisional Measures for the Administration of the Distribution of Lottery Tickets on Internet and Telephone. We believe the initiatives represent a major step forward in clearing the uncertainty and enabling the Group, as a key participant in the industry, to capitalize on its edge to foster the development of electronic lottery distribution channels. The Group will continue to consolidate its comprehensive distribution platform for the expanding spectrum of lottery products in China.

Cooperation Distribution Business

The Group has been dedicated to develop its cooperative distribution business model since late 2008. Under the cooperative model, we focus on with our distribution channel partners, entities and organizations that already had a widely diversified and recognized retail network. Our partners include China Post, PetroChina, Sinopec, China Resources, other major supermarket and convenience store chains.

Single Match Games Business

The Group has continued to expand its footprint by setting up dedicated franchised SMG shops across key provinces in China as well as setting up related supporting 24-hours Call Center in Guangdong for our SMG customers during the year under review. As at the end of 2010, the Group has presence in 7 provinces. Following the successful launch of SMG in May 2009, the 2010 South Africa World Cup has quickened the rapid growth of SMG. Total sales of SMG in 2010 was estimated to be around RMB6 billion compared to RMB130 million in 2009.

Mobile Lottery Business and the Electronic Lottery Platform

In strict adherence to the regulatory guidelines established by the supervising authorities, we started our mobile based lottery distribution operation in 2009. In 2010, we have focused on fortifying our position in mobile lottery business in the existing provinces on the one hand and expanding our business geographically on the other hand. Currently, we have signed contracts and have been authorized to roll out the mobile lottery business in 7 provinces/regions in China and we have already completed in 5 of them. We expect the number of users to increase over time upon our expansion into different provinces/regions and deepening our penetration into existing provinces/regions. China Mobile is our major roll out partner for the mobile lottery operation.

Being the forerunner in the introduction of new technologies and systems for the smooth and reliable development of lottery equipments and risk management system and distribution channels in China, our Group has commenced cautiously the development of a comprehensive Electronic Lottery Platform (“ELP”). The ELP comprises a back-end system serving as the customer management system and a front-end application that is compatible with various lottery products and distribution channels including lottery terminal at physical shop, call center, mobile phone and the internet. During the year, the Group has achieved significant breakthrough in the development of ELP and will continue its efforts in supporting the launch of electronic lottery distribution in China.

Financial Business

During the year under review, turnover of the financial business decreased by 63% to HK\$4,393,000 (2009: HK\$11,997,000), accounting for 0.3% of the total turnover and recorded segment loss of HK\$4,875,000 (2009: HK\$774,000). The Group will continue to divest from its non core business and focus on the promising core lottery operations. Active measures have been taken to look for opportunities in releasing further resources from this business segment.

Outlook

China Lottery Market has grown leaps and bounds and achieved a string of notable successes during the “Eleventh Five-Year Plan” period of China from 2006 to 2010. 2011 is a milestone year for the China Lottery Market to lay the foundations for current and future growth. Since the first national regulation on lottery has taken into effect in 2009, it has created a healthy and balanced context for bringing the industry and lottery community together to help shaping the growth of China Lottery Market.

The Group will continue to provide comprehensive lottery solutions and deepen our penetration into the whole value chain of the China lottery industry from lottery system architect upstream to distribution of lottery products downstream. During the year, we are gratifying to witness the encouraging performance of DMB Division and its leading market position. We are convinced that the well established SGDB Division and the DMB Division, as our key growth driver, will continue to deliver meaningful contributions to the Group’s earnings.

Solid Revenue Growth Based on Strong Fundamentals

Looking ahead, our SGDB will continue to provide a solid foundation for the business development of the Group, in particular the DMB development. In addition, given its resilience in nature, it will also enhance the Group's ability to weather through challenges ahead if any.

Building on the long and successful track record in supporting the development of Welfare CTG in China, the Group will continue to deliver its professional solutions and excellent services to the 16 lottery provinces and take advantage of opportunities to expand our presence in the Welfare CTG market by extending our services to other lottery provinces in China.

With continual enhancement and expansion of our Scratch Cards printing capabilities, we are well prepared to capture the emerging market growth of Welfare Scratch Cards through the introduction of world-class state-of-the-art printing technologies. We are confident that the printing facilities upgrade can better accommodate the various designs of high quality scratch cards.

For the Sports CTG business, other than the traditional CTG terminals, we will devote more resources to the development of system and terminals in support of the increasing varieties of games offerings by the Sports Lottery authorities in China.

Positioned for Sustained Growth through Seizure of Enormous Market Opportunities

We are thrilled to observe several of our new growth drivers in DMB Division are taking shape and we see a lot of opportunities to build on these wins.

In the year ahead, we strongly believe that the strengths of lottery innovation, in particular the development of new distribution channels and lottery products, will ultimately bring the China Lottery Market into the next wave of growth. The issuance of provisional measures on mobile and internet lottery distribution channels has demonstrated the aspiration of the China lottery authorities to establish a balanced and well regulated context for the sustainable development of lottery industry which will provide a reliable and sustainable source of funds for the development of the good causes in China.

In order to maximize the benefits of electronic distribution channels, it is envisaged that a well developed customer and risk management system is complementary to the healthy development of the whole China Lottery Market. As such, the Group has committed to maintain its leading and unparalleled position in this dynamic industry by introducing new technologies and systems for serving this purpose.

The Group's cooperation distribution business has fortified its leading position in the Scratch Cards distribution in China. We will continue to expand the network through adding more new POS in selected prime locations in China.

With respect to SMG, the growth potential is enormous in China, according to market estimates. The South Africa World Cup has proven to be a catalyst for the growth in SMG sales and enhanced its development in China. It is widely believed that as the market for SMG matures in the coming couple of years, SMG may become the single largest games category of all lottery products in China by lottery size and revenue generation.

Our Group will play an active role in supporting the development of SMG in China. The Group believes that SMG will be one of the key drivers to our revenue growth in the future as the SMG business segment takes shape and develops over the course of the coming few years.

As a major participant in China's Lottery industry, we are not only confident and optimistic about the future prospects of our Group, but are also confident that the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. The Group has accomplished key structural steps in making good progress against these objectives. We will continue our efforts in the furthering of such good causes in China through the careful and diligent execution of its planned strategies.

We believe these developments, together with the solid fundamentals of our diversified business model, position the Group for another year of growth in 2011.

FINANCIAL REVIEW

Result

For the year ended 31 December 2010, the Group recorded a turnover of HK\$1,614,328,000 (2009: HK\$1,272,069,000), representing an increase of 26.9% over that of the last year. The increase was mainly attributable to the Group's lottery business in China which achieved a turnover of HK\$1,609,935,000 (2009: HK\$1,260,072,000).

Profit attributable to equity holders for the year was HK\$636,016,000 (2009: HK\$424,581,000). The earnings per share was 8.26 cents (2009: 5.66 cents). Fully diluted earnings per share was 8.23 cents (2009: 5.63 cents).

The Board recommended a final dividend of 0.56 HK cent per share (2009: 0.43 HK cent per share). Together with the paid interim dividend of 0.35 HK cent per share (2009: 0.18 HK cent per share), the Group's total dividend for the year ended 31 December 2010 amounts to 0.91 HK cent per share (2009: 0.61 HK cent per share).

Liquidity, Financial Resources and Funding

At 31 December 2010, the Group's total equity amounted to HK\$3,774,108,000 as compared to HK\$3,446,671,000 at the end of the previous year.

At 31 December 2010, the Group had cash reserves of approximately HK\$294,214,000 (2009: HK\$353,158,000), which included approximately HK\$14,687,000 (2009: HK\$27,029,000) of clients' funds that were kept in designated segregated bank accounts.

The gearing ratio as at 31 December 2010 was 2.95% (2009: 2.33%). The gearing ratio was derived by dividing the aggregate of bank borrowings by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 738% (2009: 601%).

The Group had outstanding bank borrowings as at 31 December 2010 of HK\$111,466,000 (2009: bank and other borrowings of HK\$61,657,000 and HK\$18,533,000 respectively). The borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Group's land and building were pledged to secure the bank borrowings. We expect that all these borrowings will be repaid by internal generated funds.

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

Pledge of Assets

At 31 December 2010, the Group's land and building with total market value of approximately HK\$62,090,000 (2009: HK\$48,864,000) and the Group's bank deposits of HK\$45,302,000 (2009: HK\$16,875,000) were pledged to banks to secure the bank borrowings granted to the Group. At 31 December 2010, the Group's listed investment belonging to clients with total market value of approximately HK\$7,322,000 (2009: HK\$5,204,600) was pledged to a bank to secure the undrawn banking facilities.

Share Capital

177,500,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2010.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

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

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

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2010.

Human Resources

As at 31 December 2010, the Group had 1,404 employees.

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

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

FINAL DIVIDEND

The Board declared an interim dividend of 0.35 HK cent per share in respect of the year ended 31 December 2010 which was paid on 29 October 2010. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 0.56 HK cent per share in respect of the year ended 31 December 2010 payable on or around Thursday, 21 July 2011 to shareholders of the Company whose names appear on the Company's register of members at the close of business on Wednesday, 29 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 June 2011 to Wednesday, 29 June 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Further information is set out in the Corporate Governance Report contained in the 2010 annual report.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2010, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements for the year ended 31 December 2010.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2010 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0555rexlot>) respectively. The 2010 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders and made available on the above websites on or before 29 April 2011.

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

Hong Kong, 29 March 2011

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