THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in REXCAPITAL Financial Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is solely for the purpose of providing shareholders with certain information in connection with a special general meeting of the Company and is not an offer to sell or solicitation of an offer to buy any securities.

REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

VERY SUBSTANTIAL ACQUISITION

A letter from the board of the directors of REXCAPITAL Financial Holdings Limited (the "**Company**") is set out on pages 6 to 27 of this circular.

A notice dated 29 June, 2007 convening the special general meeting of the Company (the "**SGM**") to be held at 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, at 10:00 a.m. on Thursday, 19 July 2007 is set out at the end of this circular. Whether or not you are able to attend the SGM, you are strongly urged to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in an event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

29 June 2007

CONTENTS

Pages

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2006 Acquisition"	the acquisition of the entire issued share capital of Multi Glory Limited by the Company and the capital contribution by the Company into the capital of Sinodata, which after completion of such transactions, the Company was and is indirectly interested in approximately 50.9% in the registered capital of Sinodata. Details of such transactions are set out in the announcement of the Company dated 15 March 2006 and the circular of the Company dated 12 June 2006
"Acquisitions"	the EA Acquisition and the SG Acquisition
"Board"	the board of Directors
"Consideration Shares"	the EA Consideration Shares and the SG Consideration Shares
"Capitol Technology"	Capitol Technology Limited, a company incorporated in Hong Kong, the entire share capital of which is beneficially held by Huge Rich
"Company"	REXCAPITAL Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisitions
"Director(s)"	director(s) including independent non-executive director(s) of the Company
"EA Acquisition"	the proposed acquisition of the entire issued share capital of Global Union by the Company from Excellot Assets pursuant to the EA Share Purchase Agreement
"EA Completion"	completion of the EA Acquisition
"EA Completion Date"	the third business day immediately following the day on which all of the conditions in the EA Share Purchase Agreement are satisfied or waived, or such later date as may be mutually agreed by the parties in writing

"EA Consideration Share(s)"	152,375,000 new Shares to be issued at a price of HK$0.70 per Share for settlement of the consideration of HK$106,662,500 payable by the Company to Excellot Assets (or its nominee) under the EA Share Purchase Agreement
"EA Sale Share"	1 share of US$1.00 in the share capital of Global Union, representing the entire issued share capital of Global Union
"EA Share Purchase Agreement"	the conditional share sale and purchase agreement dated 19 March 2007 entered into between the Company and Excellot Assets in relation to the EA Acquisition
"EA Shareholder's Loan"	all shareholder's loan due by Global Union to Excellot Assets, which shall not be less than HK$5,600,000
"Enlarged Group"	the Group after completion of the Acquisitions
"Excellot Assets"	Excellot Assets Management Limited, a company incorporated in British Virgin Islands, the vendor of the entire share capital of Global Union
"Gang Le"	港樂貿易（深圳）有限公司 (Gang Le Trading (Shenzhen) Co., Ltd.), a wholly-owned foreign enterprise established in the PRC, its entire registered capital is held by Konrad Development
"Global Union"	Global Union Group Limited, a company incorporated in British Virgin Islands, the entire share capital of which is beneficially held by Excellot Assets
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huge Rich"	Huge Rich Enterprises Limited, a company incorporated in British Virgin Islands, the entire share capital of which is beneficially held by Sino Gateway

"Independent Third Party(ies)"	person(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, are not connected person(s) (as defined in the Listing Rules) to the Company
"Konrad Development"	Konrad Development Limited, a company incorporated in Hong Kong, the entire share capital of which is beneficially held by Global Union
"Latest Practicable Date"	means 26 June 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Fu"	Mr. Fu Keqin, a PRC citizen, the guarantor of SG Share Purchase Agreement
"Mr. Guan"	Mr. Guan Zhi, a PRC citizen, the guarantor of EA Share Purchase Agreement
"PRC" or "China"	People's Republic of China
"REXCAPITAL Investment"	御泰投資管理(南通)有限公司 (REXCAPITAL Investment Management (Nantong) Limited), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SG Acquisition"	the proposed acquisition of the entire issued share capital of Huge Rich by the Company from Sino Gateway pursuant to the SG Share Purchase Agreement
"SG Completion"	completion of the SG Acquisition

"SG Completion Date"	the third business day immediately following the day on which all of the conditions in the SG Share Purchase Agreement are satisfied or waived, or such later date as may be mutually agreed by the parties in writing
"SG Consideration Share(s)"	147,625,000 new Shares to be issued at a price of HK$0.70 per Share for settlement of the consideration of HK$103,337,500 payable by the Company to Sino Gateway (or its nominee) under the SG Share Purchase Agreement
"SG Sale Share"	1 share of US$1.00 in the share capital of Huge Rich, representing the entire issued share capital of Huge Rich
"SG Share Purchase Agreement"	the conditional share sale and purchase agreement dated 19 March 2007 entered into between the Company and Sino Gateway in relation to the SG Acquisition
"SG Shareholder's Loan"	all shareholder's loan due by Huge Rich to Sino Gateway which shall not be less than HK$1,000,000
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Purchase Agreements"	the EA Share Purchase Agreement and the SG Share Purchase Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Pei Li Ge"	深圳市派立格電子技術有限公司 (Shenzhen Pei Li Ge Electronics Technology Co., Ltd.), a limited liability company established in the PRC, its entire registered capital is held by Shenzhen Qi Hung De
"Shenzhen Peng Le"	深圳市鵬樂實業發展有限公司 (Shenzhen Peng Le Industrial Development Co. Ltd.), a limited liability company established in the PRC, its entire registered capital is held by Gang Le
"Shenzhen Qi Hung De"	深圳啟鴻德貿易有限公司 (Shenzhen Qi Hung De Trading Co., Ltd.), a wholly-owned foreign enterprise established in the PRC, its entire registered capital is held by Capitol Technology

"Sino Gateway"	Sino Gateway International Limited, a company incorporated in British Virgin Islands, the vendor of the entire share capital of Huge Rich
"Sinodata"	深圳市思樂數據技術有限公司 (Shenzhen Sinodata Technology Co., Ltd.), a limited liability company established in the PRC
"Sinodata Group"	Sinodata and its subsidiaries
"Special General Meeting"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the transactions contemplated in the Share Purchase Agreements, including but not limited to the issuance of Consideration Shares, and any adjournment thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

In this circular, unless otherwise stated, conversion of RMB into HK$ is based on the exchange rate of HK$1= RMB0.99, for the purpose of illustration only, and do not constitute representation that any amount has been, could have been, or may otherwise be exchanged or converted at this or any other rate.

REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

Executive Directors:
Chan How Chung, Victor
Boo Chun Lon

Independent non-executive Directors:
Yuen Wai Ho
Chow Siu Ngor
Lee Ka Lun

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Suite 3401, 34/F
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

29 June 2007

To the Shareholders and, for information only, the holders of the options of the Company

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the Company's announcement dated 21 March 2007 in relation to the Acquisitions.

Reference is also made to the announcement of the Company dated 15 March 2006 and the circular of the Company dated 12 June 2006 in relation to the 2006 Acquisition.

As announced by the Company on 21 March 2007, the Company entered into: (1) the EA Share Purchase Agreement with Excellot Assets and Mr. Guan under which the Company has agreed to acquire and Excellot Assets has agreed to sell the EA Sale Share and assign the EA Shareholder's Loan. Global Union indirectly holds approximately 9.62% of the registered capital of Sinodata; and (2) the SG Share Purchase Agreement with Sino Gateway and Mr. Fu under which the Company has agreed to acquire and Sino Gateway has agreed to sell the SG Sale Share and assign the SG Shareholder's Loan. Huge Rich indirectly holds approximately 9.32% of the registered capital of Sinodata.

Sinodata is a company involved in the development and production of proprietary lottery machines, related operating software system and networks (including the provision of incidental consultancy services) for welfare lottery industry in China.

The consideration payable by the Company for the EA Acquisition is HK$119,487,500 which is to be satisfied as to HK$12,825,000 in cash and as to HK$106,662,500 by the issue of the EA Consideration Shares to Excellot Assets (or its nominee) at a price of HK$0.70 per Consideration Share. The consideration payable by the Company for the SG Acquisition is HK$115,762,500 which is to be satisfied as to HK$12,425,000 in cash and as to HK$103,337,500 by the issue of the SG Consideration Shares to Sino Gateway (or its nominee) at a price of HK$0.70 per Consideration Share.

Completion is conditional upon the fulfillment of certain conditions which include, among other things, the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consideration Shares, and the approval of the transactions contemplated in Share Purchase Agreements by the Shareholders at the Special General Meeting.

Since the applicable percentage ratios in respect of the Acquisitions and the 2006 Acquisition, if aggregated under Rule 14.22 of the Listing Rules, represents more than 100% for the Company, the proposed Acquisitions constitute very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules and the Share Purchase Agreements are, thus, subject to the approval of the Shareholders. As none of the Shareholders has an interest in any of the Share Purchase Agreements, none of the Shareholders will abstain from voting for the resolutions approving the Share Purchase Agreements.

The purpose of this circular is to provide you with details of (a) the terms of the Acquisitions; and (b) a notice to the Shareholders convening the Special General Meeting to approve the Share Purchase Agreements and the issue of the Consideration Shares.

EA SHARE PURCHASE AGREEMENT

On 19 March 2007, the Company entered into the EA Share Purchase Agreement with Excellot Assets under which the Company has agreed to acquire and Excellot Assets has agreed to sell the EA Sale Share and assign the EA Shareholder's Loan. Global Union indirectly holds approximately 9.62% of the registered capital of Sinodata. As at the Latest Practicable Date, the amount outstanding under the EA Shareholder's Loan was approximately HK$5,600,000. Mr. Guan has agreed to guarantee the performance of the obligations of Excellot Assets under the EA Share Purchase Agreement.

Date

19 March 2007

Parties

The Purchaser:	REXCAPITAL Financial Holdings Limited, as the purchaser and the issuer of the EA Consideration Shares
The Vendor:	Excellot Assets Management Limited, the beneficial owner of the entire issued share capital of Global Union and the EA Shareholder's Loan, as the vendor
The Guarantor:	Mr. Guan Zhi, being the ultimate beneficial owner of Excellot Assets, as the guarantor to guarantee the performance of the obligations of Excellot Assets under the EA Share Purchase Agreement

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Excellot Assets and Mr. Guan is an Independent Third Party and there is no relationship among the vendor to the 2006 Acquisition, Excellot Assets, Sino Gateway and their respective ultimate beneficial owner, including Mr. Guan and Mr. Fu, and their respective associates. Prior to the EA Completion, each of Excellot Assets, Mr. Guan and their respective associates does not have any interest in the share capital of the Company.

Conditions

Completion of the EA Acquisition is conditional upon fulfillment or waiver (by the Company), as the case may be, of the following conditions:

(i) the warranties remaining true and accurate and not misleading from the date of the EA Share Purchase Agreement to the EA Completion Date inclusive;

(ii) Excellot Assets having complied fully with the pre-completion obligations and having performed all of the covenants and agreements required to be performed by it under the EA Share Purchase Agreement on or prior to the EA Completion Date;

(iii) all necessary consents required to be given by third parties to Excellot Assets for the transactions contemplated under the EA Share Purchase Agreement having been granted and being in full force and effect;

(iv) the completion of the transfer of the legal ownership of the issued share capital of Konrad Development held by Excellot Assets or Mr. Guan to Global Union;

(v) the receipt by the Company of a legal opinion by a firm of qualified lawyers in the PRC in such form and substance satisfactory to the Company;

(vi) the approval of the transactions contemplated in the EA Share Purchase Agreement, including but not limited to the EA Acquisition and the issuance of the EA Consideration Shares, by the Shareholders at the Special General Meeting; and

(vii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the EA Consideration Shares.

The Company may in its absolute discretion at any time waive in writing any of the conditions set out in paragraphs (i), (ii), (iv) and (v) above (or any part thereof) and such waiver may be made subject to such terms and conditions as are determined by the Company. The Company shall not be entitled to exercise such right of waiver in respect of paragraphs (iii), (vi) and (vii) above.

In relation to condition (iii) above, Excellot Assets has confirmed that no consents are required to be given by third parties for the transactions contemplated under the EA Share Purchase Agreement. Save as disclosed above, none of the conditions set out above has been fulfilled as at the Latest Practicable Date.

If any of the above conditions has not been fully fulfilled or satisfied or complied with or waived by 31 July 2007 (or such later date as may be determined by the Company), the Company shall not be bound to proceed with the EA Acquisition and the EA Share Purchase Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach of the EA Share Purchase Agreement.

Consideration

The aggregate consideration for the EA Acquisition is HK$119,487,500. The consideration is payable by the Company in the following manner at the EA Completion:

(i) an aggregate amount equal to HK$12,825,000 shall be paid by way of cash; and

(ii) by way of the Company issuing and allotting to Excellot Assets (or its nominee as it may designate) 152,375,000 new Shares at a price of HK$0.70 per Consideration Share.

The consideration as to HK$12,825,000 shall be paid in cash and financed by the Company's internal resources.

Completion

Completion of the EA Acquisition shall take place on the third business day immediately following the day on which all of the above conditions are satisfied or waived, or such later date as may be mutually agreed by the parties in writing.

SG SHARE PURCHASE AGREEMENT

On 19 March 2007, the Company entered into the SG Share Purchase Agreement with Sino Gateway under which the Company has agreed to acquire and Sino Gateway has agreed to sell the SG Sale Share and assign the SG Shareholder's Loan. Huge Rich indirectly holds approximately 9.32% of Sinodata. As at the Latest Practicable Date, the amount outstanding under the SG Shareholder's Loan was approximately HK$1,000,000. Mr. Fu has agreed to guarantee the performance of the obligations of Sino Gateway under the SG Share Purchase Agreement.

Date

19 March 2007

Parties

The Purchaser:	REXCAPITAL Financial Holdings Limited, as the purchaser and the issuer of the SG Consideration Shares
The Vendor:	Sino Gateway International Limited, the beneficial owner of the entire issued share capital of Huge Rich and the SG Shareholder's Loan, as the vendor

The Guarantor: Mr. Fu Keqin, being the ultimate beneficial owner of Sino Gateway, as the guarantor to guarantee the performance of the obligations of Sino Gateway under the SG Share Purchase Agreement

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Sino Gateway and Mr. Fu is an Independent Third Party and there is no relationship among the vendor to the 2006 Acquisition, Excellot Assets, Sino Gateway and their respective ultimate beneficial owner, including Mr. Guan and Mr. Fu, and their respective associates. Prior to the SG Completion, each of Sino Gateway, Mr. Fu and their respective associates does not have any interest in the share capital of the Company.

Conditions

Completion of the SG Share Purchase Agreement is conditional upon fulfillment or waiver (by the Company), as the case may be, of the following conditions:

(i) the warranties remaining true and accurate and not misleading from the date of the SG Share Purchase Agreement to the SG Completion Date inclusive;

(ii) Sino Gateway having complied fully with the pre-completion obligations and having performed all of the covenants and agreements required to be performed by it under the SG Share Purchase Agreement on or prior to the SG Completion Date;

(iii) all necessary consents required to be given by third parties to Sino Gateway for the transactions contemplated under the SG Share Purchase Agreement having been granted and being in full force and effect;

(iv) the completion of the transfer of the legal ownership of the entire share capital of Capitol Technology from Sino Gateway or Mr. Fu to Huge Rich;

(v) the receipt by the Company of a legal opinion by a firm of qualified lawyers in the PRC in such form and substance satisfactory to the Company;

(vi) the approval of the transactions contemplated in the SG Share Purchase Agreement, including but not limited to the SG Acquisition and the issuance of the SG Consideration Shares, by the Shareholders at the Special General Meeting; and

(vii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the SG Consideration Shares.

The Company may in its absolute discretion at any time waive in writing any of the conditions set out in paragraphs (i), (ii), (iv) and (v) above (or any part thereof) and such waiver may be made subject to such terms and conditions as are determined by the Company. The Company shall not be entitled to exercise such right of waiver in respect of paragraphs (iii), (vi) and (vii) above.

In relation to condition (iii) above, Sino Gateway has confirmed that no consents are required to be given by third parties for the transactions contemplated under the SG Share Purchase Agreement. Save as disclosed above, none of the conditions set out above has been fulfilled as at the Latest Practicable Date.

If any of the above conditions has not been fully fulfilled or satisfied or complied with or waived by 31 July 2007 (or such later date as may be determined by the Company), the Company shall not be bound to proceed with the SG Acquisition and the SG Share Purchase Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach of the SG Share Purchase Agreement.

Consideration

The aggregate consideration for the SG Acquisition is HK$115,762,500. The consideration is payable by the Company in the following manner at the SG Completion:

(i) an aggregate amount equal to HK$12,425,000 shall be paid by way of cash; and

(ii) by way of the Company issuing and allotting to Sino Gateway (or its nominee as it may designate) 147,625,000 new Shares at a price of HK$0.70 per Consideration Share.

The consideration as to HK$12,425,000 shall be paid in cash and financed by the Company's internal resources.

Completion

Completion of the SG Acquisition shall take place on the third business day immediately following the day on which all of the above conditions are satisfied or waived, or such later date as may be mutually agreed by the parties in writing.

Each of the Share Purchase Agreements is not inter-conditional with and is independent from one and other.

The consideration for the Acquisitions has been agreed by the parties after arm's length negotiation. In arriving at the consideration, the Directors have (a) considered factors including, the prospects of Sinodata Group taking into account, among other information, the position of Sinodata being one of the largest providers in the machine and system supply section to the welfare lottery business in China and the business opportunities in the growing welfare lottery market in China such as Sinodata's intention to further expand its geographic coverage and increase its penetration in existing provinces in China for determining the consideration for the EA Sale Share and the SG Sale Share; and (b) used the principal amount of the EA Shareholders' Loan and the SG Shareholders' Loan in determining their respective consideration.

CONSIDERATION SHARES

The Consideration Shares represent approximately 5.01% of the existing issued share capital of the Company and will represent about 4.77% of the enlarged issued share capital of the Company upon the issue and allotment of the Consideration Shares pursuant to the completion of the Share Purchase Agreements. The Consideration Shares will be issued as fully paid and shall rank pari passu in all respects with the Shares then in issue.

The issue price of HK$0.70 per Consideration Share represents:

(i) a discount of approximately 9.09% to the closing price of HK$0.77 per Share as quoted on the Stock Exchange on 16 March 2007;

(ii) a discount of approximately 4.37% to the average closing price of HK$0.732 per Share for the last five consecutive trading days up to and including 16 March 2007;

(iii) a premium of approximately 1.89% to the average closing price of HK$0.687 per Share for the last ten consecutive trading days up to and including 16 March 2007; and

(iv) a discount of approximately 16.67% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Each of Mr. Guan, Excellot Assets, Mr. Fu and Sino Gateway has undertaken to the Company that during the period commencing from the EA Completion Date or the SG Completion Date, as the case may be, and ending on the date which is nine months after the EA Completion Date or the SG Completion Date, as the case may be, it/he shall not, inter alia, offer, pledge, charge, sell, contract to sell or otherwise transfer or dispose of, either directly or indirectly, any of the Consideration Shares.

The Consideration Shares will be issued pursuant to the Shareholders' approval to be sought by the Company at the Special General Meeting. An application will also be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Company, Excellot Assets and Sino Gateway by referring to the discounted 5 days' average closing price of the Shares up to and including 16 March 2007. The Board considers that the terms of the Share Purchase Agreements, including the issue price of the Consideration Shares, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

INFORMATION ON THE SINODATA GROUP

Global Union

Global Union is an investment holding company established in the British Virgin Islands with limited liability. It has no business activity save for being beneficially interested in the entire issued share capital of Konrad Development (the legal ownership of the entire issued share capital of Konrad Development is currently held on trust by Mr. Guan for and on behalf of Global Union), which in turn is interested in the entire registered capital of Gang Le. Gang Le is directly interested in the entire registered capital of Shenzhen Peng Le which in turn is directly interested in approximately 9.62% of the registered capital of Sinodata. In that regard, Global Union is indirectly interested in approximately 9.62% of the registered capital of Sinodata. Each of Konrad Development, Gang Le and Shenzhen Peng Le has no business activities save for holding an investment interest in Sinodata.

Huge Rich

Huge Rich is an investment holding company established in the British Virgin Islands with limited liability. It has no business activity save for being beneficially interested in the entire issued share capital of Capitol Technology (the legal ownership of the entire issued share capital of Capitol Technology is currently held on trust by Mr. Fu for and on behalf of Huge Rich), which in turn is interested in the entire registered capital of Shenzhen Qi Hung De. Shenzhen Qi Hung De is directly interested in the entire registered capital of Shenzhen Pei Li Ge which in turn is directly interested in approximately 9.32% of the registered capital of Sinodata. In that regard, Huge Rich is indirectly interested in approximately 9.32% of the registered capital of Sinodata. Each of Capitol Technology, Shenzhen Qi Hung De and Shenzhen Pei Li Ge has no business activities save for holding an investment interest in Sinodata.

Sinodata

Sinodata is a limited liability company established in the PRC in March 1998 with a registered capital of RMB35,560,000. The principal business of Sinodata is in the development and production of proprietary lottery machines, related operation software system and networks (including the provision of incidental consultancy services relating to the provision of software) for the welfare lottery industry in China. Sinodata has obtained the business license in relation to the operation of its business. Apart from such license, the provision of such lottery machines, related operation software system and networks by Sinodata does not require the obtaining of any license or authorization from the relevant authority in the PRC.

Sinodata has its headquarters in Shenzhen and its main business is the deployment of welfare lottery system in China including the supply of machines and maintenance of the network. Its lottery systems are used for Computer Ticket Games ("CTG") in welfare lottery, i.e. Power Ball, 3D, etc. CTG accounted for approximately 90% of China's welfare lottery revenue in 2006.

Sinodata has been in operation for over 8 years with established track records. The consolidated net profit after taxation of Sinodata Group has grown from RMB15.5 million to RMB52.3 million between 2004 and 2006, representing approximately 237% growth during such period. Sinodata also has extensive geographical coverage in China. Currently, it has deployed over 40,000 lottery machines in China and its operations are spread over 15 provinces in China. Sinodata is the single largest CTG system provider for welfare lottery in China in terms of geographical coverage, number of machines deployed and welfare lottery revenue generated from the provinces covered.

Sinodata is operating on a revenue model based on the selling of proprietary lottery machines, including sharing certain percentage of lottery sales from its customers, related operation software system and networks, maintenance fees derived from providing maintenance services to its customers and the consultancy fees derived from provision of incidental consultancy services. Based on the audited accountant's report of Sinodata Group as set out in Appendix I to this circular, in 2006, the audited total revenue of RMB192.5 million (equivalent to approximately HK$194.4 million) was represented by provision of lottery machines and related services, income generated from sharing of lottery sales from owned machines, maintenance service, including consultation service fee which amounted to RMB155.7 million (equivalent to approximately HK$157.3 million), RMB15.9 million (equivalent to approximately HK$16 million), RMB20.9 million (equivalent to approximately HK$21.1 million) respectively. The customers of Sinodata are authorized operators mainly, local lotteries issuance centers of welfare lottery in China.

Welfare Lottery Business in China

The lottery market in China can be broadly classified into two categories, welfare lottery and sports lottery.

Welfare lottery commenced operation in 1987 which accounted for about 60% market share in the Chinese lottery market in 2006. It provides an alternative revenue source for the welfare activities in China.

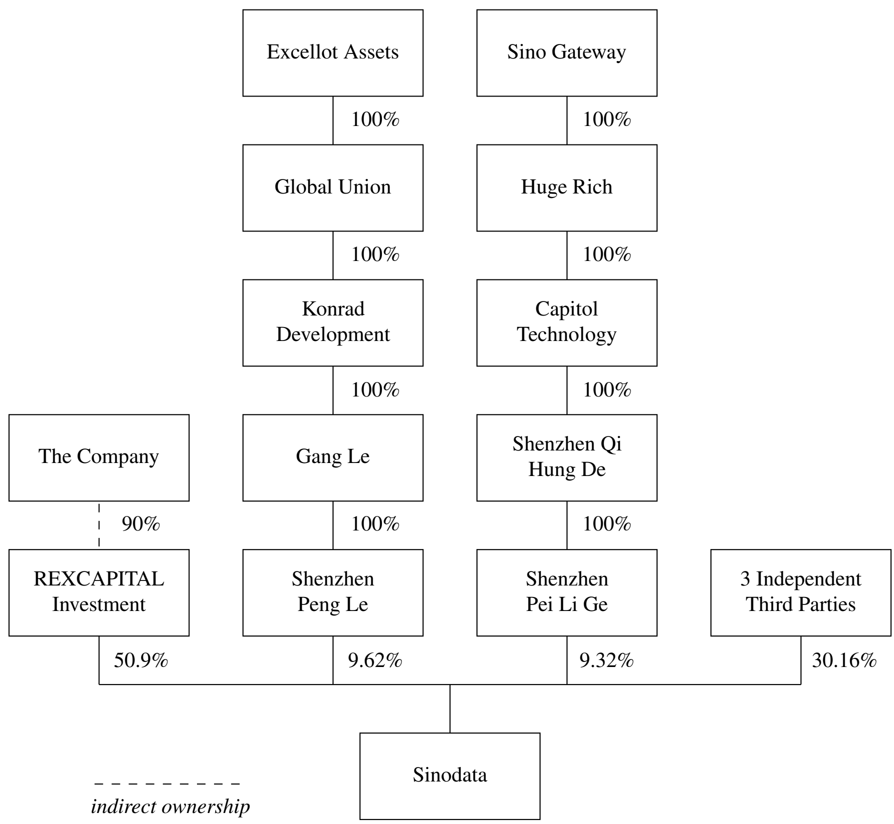
CTGs are the pre-dominant revenue contributor to welfare lottery revenue, accounted for approximately 90% of welfare lottery in China revenue in 2006. Video lottery terminals/Keno and scratch cards together accounted for approximately 10% of the welfare lottery revenue in 2006 .

The products and services offered by Sinodata included the provision of lottery machines, related operating software system and networks systems which are used for CTGs in welfare lottery.

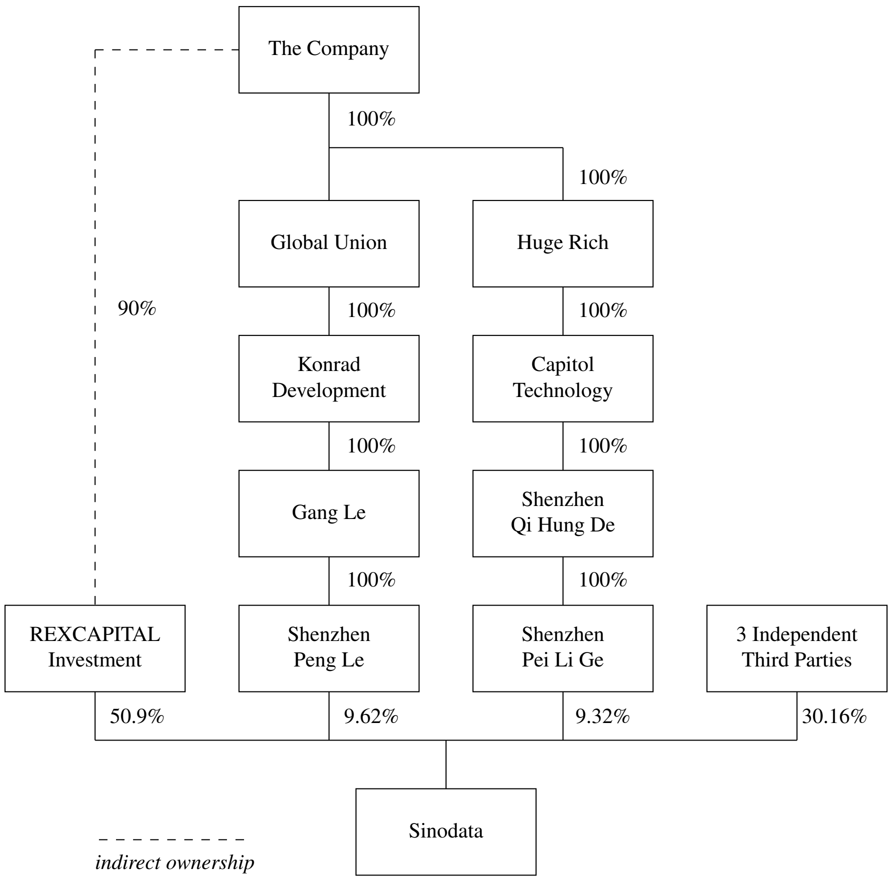
Shareholding Structure of Sinodata

As at the Latest Practicable Date, the Company, Global Union and Huge Rich are indirectly interested in approximately 50.9%, 9.62% and 9.32% respectively of the registered capital of Sinodata. The remaining 30.16% of the registered capital of Sinodata is held by 3 Independent Third Parties.

The shareholding structure of the Sinodata as at the Latest Practicable Date is as follows:



The shareholding structure of the Sinodata as at the Completion is as follows:



The remaining 10% equity interest in REXCAPITAL Investment is held by an Independent Third Party.

Upon Completion, the Company will legally and beneficially hold the entire issued share capital of Global Union and Huge Rich which in turn are indirectly holding approximately 18.94% interest in the registered capital of Sinodata. In aggregate, the Company will indirectly hold approximately 69.84% in the registered capital of Sinodata upon completion.

The total consolidated audited asset value of Sinodata Group as at 31 December 2006, 31 December 2005 and 31 December 2004 was approximately RMB231.5 million (equivalent to approximately HK$233.8 million), RMB132.4 million (equivalent to approximately HK$133.7 million) and RMB129 million (equivalent to approximately HK$130 million) respectively.

The total consolidated audited net asset value of Sinodata Group as at 31 December 2006, 31 December 2005 and 31 December 2004 was approximately RMB183.3 million (equivalent to approximately HK$185.2 million), RMB120.7 million (equivalent to approximately HK$121.9 million) and RMB109.9 million (equivalent to approximately HK$111 million) respectively.

The audited consolidated net profit of Sinodata Group before and after taxation for the year ended 31 December 2006 was approximately RMB62.2 million (equivalent to approximately HK$62.8 million) and RMB52.3 million (equivalent to approximately HK$52.8 million) respectively. The audited consolidated net profit of Sinodata Group before and after taxation for the year ended 31 December 2005 was approximately RMB21.4 million (equivalent to approximately HK$21.6 million) and RMB20.8 million (equivalent to approximately HK$21 million) respectively. The audited consolidated net profits of Sinodata Group before and after taxation for the year ended 31 December 2004 was approximately RMB15.8 million (equivalent to approximately HK$15.9 million) and RMB15.4 million (equivalent to approximately HK$15.6 million) respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in the provision of financial services including broking, securities margin financing, money lending, investment trading and holding, corporate finance and asset management.

The Group has been proactively identifying suitable investment and business opportunities to enhance the Group's revenue base and profitablity. Through the acquisitions of Sinodata which was announced in March 2006, the Company became indirectly interested in 50.9% of the registered capital of Sinodata. The revenue generated by welfare lottery in China has increased from RMB41 billion in 2005 to RMB49 billion in 2006 (an increase of approximately 20%). The Acquisitions will provide an exciting opportunity for the Group to further extend its participation in Sinodata, which is the single largest CTG system provider for welfare lottery in China.

In late 2006, the Group acquired a 70% stake in Beijing Guard Libang Technology Co., Ltd. (北京戈德利邦科技有限公司), one of the approved service providers in the instant lottery industry in China. Through those acquisitions, the Group now participates in the provision of system and machineries to two out of the three categories of games, being CTGs and instant lottery games, currently available in the welfare lottery industry in China. The Directors believe that by utilizing the advantages that the Group has established in its technologies and markets for CTGs, synergies can be created on technologies and markets on instant lottery games and CTGs, so as to strengthen the Group's position in the welfare lottery industry in China.

Having considering the basis of determining the consideration for the Acquisitions as mentioned above, the Directors believe that the terms of Share Purchase Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE

	As at the Latest Practicable Date		Upon the issue and allotment of the Consideration Shares	
	No. of Shares	*%*	*No. of Shares*	*%*
Kingly Profits Corporation *(Note)*	1,098,805,635	18.35	1,098,805,635	17.47
Excellot Assets (or its nominee)	–	–	152,375,000	2.42
Sino Gateway (or its nominee)	–	–	147,625,000	2.35
Public	4,890,194,365	81.65	4,890,194,365	77.76
Total	5,989,000,000	100.00	6,289,000,000	100.00

Note:
Kingly Profits Corporation is indirectly wholly owned by Mr. Chan How Chung, Victor, an Executive Director.

INFORMATION ON THE VENDORS

Excellot Assets is a company incorporated in the British Virgin Islands and is an investment holding company held by Mr. Guan. Sino Gateway is a company incorporated in the British Virgin Islands and is an investment holding company held by Mr. Fu.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

Since the applicable percentage ratios in respect of the Acquisitions and the 2006 Acquisition, if aggregated under Rule 14.22 of the Listing Rules, represents more than 100% for the Company, the Acquisitions contemplated under Share Purchase Agreements constitute very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules and the Share Purchase Agreements are, thus, subject to the approval of the Shareholders. As none of the Shareholders has an interest in any of the Share Purchase Agreements, none of the Shareholders will abstain from voting for the resolutions approving the Share Purchase Agreements.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following completion of the Acquisitions, there will not be any change in control or the principal business activities of the Company. In view of the rapid economic growth in the PRC economy in the recent decade, the PRC welfare lottery market exhibited a solid growth potential. Although the Sinodata Group involves in the machines and system supply section of the PRC welfare lottery market, it does not involve in the sales of the welfare lottery activities. The Directors are of the view that the Acquisitions, if implemented, will further enhance the Group's participation in the welfare lottery market in the PRC. The Directors consider that the Acquisitions would contribute positively to results of the Group in the near future. The Company is particularly optimistic about the prospects of machines and system supply section of the welfare lottery market in the PRC.

Presently, the Company continues to maintain the current management of the Sinodata Group to carry on the business. The Company also intends to appoint personnel/suitable candidates with experience in the PRC lottery field to the management of the Company.

Financial effects of the Acquisitions

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group based on (i) the audited financial statements of the Company as at 31 December 2006 set out in Appendix II to this circular and (ii) the audited financial information of Sinodata Group as at 31 December 2006 set out in Appendix I to this circular, assuming, inter alia, that completion of the Acquisitions had taken place on 1 January 2006, and taking into account certain adjustments to reflect the Acquisitions.

As shown in the unaudited pro forma financial information of the Enlarged Group, the respective pro forma assets and liabilities of the Enlarged Group following the Acquisitions would have been approximately HK$1,321.6 million and approximately HK$216.2 million as compared to approximately HK$1,146.2 million and approximately HK$216.2 million before the Acquisitions. The pro forma net asset value per share of the Enlarged Group following the Acquisitions would have been HK$0.164 as compared to HK$0.137 before the Acquisitions. The respective pro forma profit of the Enlarged Group following the Acquisitions would have been approximately HK$48.1 million as compared to approximately HK$30.6 million before the Acquisitions. The pro forma earning per share of the Enlarged Group following the Acquisitions would have been HK$0.0046 as compared to HK$0.0026 before the Acquisitions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, and as represented by the vendors under the Share Purchase Agreements, upon completion of the Acquisitions, Sinodata will be effectively beneficially owned as to 64.75% by the Company and it is expected that the Company will be entitled to exercise its power as controlling shareholder in the board of directors of Sinodata Group. Accordingly, the financial results of the members of Sinodata Group will be consolidated into those of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF SINODATA

Sinodata Group has participation in the Welfare Lottery Computer Ticket Games ("Welfare CTG") business over 8 years. Sinodata Group's Welfare CTG business involves the provision of operating system, hardware, maintenance and development for CTG games for the China Welfare Lottery. In 2006, the sales for Welfare CTG games achieved a new record high of approximately RMB44 billion, which accounted for approximately 90% of the total sales for the China Welfare Lottery. Given the already substantial and more established base for the Welfare CTG business, the Welfare CTG market will enjoy a period of stable, sustainable and continuing growth for the coming years which is likely to track the growth in disposable income for Chinese citizens.

In April 2007, Sinodata Group extends market reach to more provinces in China lottery market. Sinodata was awarded the contract to provide lottery system software and machines for Xizang (Tibet Autonomous Region) Welfare Lottery Issuance Centre. Currently, Sinodata Group business covers 15 provinces in China. Sinodata Group is the largest provider for the Welfare CTG business in China in 2006 commanding approximately 50% market share.

Furthermore, the Group's initiative in Welfare CTG games development has also achieved significant breakthrough in that its High Frequency 2D game has been officially rolled out recently after its successful completion of the testing and review by various regulatory authorities in China. Its income from the provision of games is on a revenue sharing basis.

Financial Review

Result

Based on the audited accountant's report of Sinodata Group as set out in Appendix I to this circular, the turnover of Sinodata Group for each of the three years ended 31 December 2006, 31 December 2005 and 31 December 2004 ("Relevant Periods") was approximately RMB192.5 million, RMB77.6 million and RMB58.4 million respectively. The net profits before taxation of Sinodata Group during each of the Relevant Periods was approximately RMB62.2 million, RMB21.4 million and RMB15.8 million respectively. The movement of the net profits of Sinodata Group during the Relevant Periods was mainly attributable to the increase in demand of lottery machines and related service incomes

The turnover of the Sinodata Group comprised (i) income generated from provision of lottery machines and related services; (ii) income generated from sharing of lottery sales from owned machines; and (iii) consultancy services, maintenance fees, IT support and development fee incomes. During each of the Relevant Periods, income generated from provision of lottery machines and related services amounted to approximately RMB155.7 million, RMB44.4 million and RMB23.9 million respectively which represented an increase of 551% from 2004 to 2006. Overall turnover increase was mainly due to the contribution from this segment. Income generated from sharing certain percentage of lottery sales from owned machines during each of the Relevant Periods amounted to approximately RMB15.9 million, RMB16.6 million and RMB10 million respectively. During each of the Relevant Periods, maintenance fees, consultancy services, and IT support and development fee incomes amounted to approximately RMB20.9 million, RMB16.6 million and RMB24.4 million respectively. The slight drop in maintenance service fee in 2005 was mainly due to a new model of lottery machines launched at the end of 2004.

Liquidity, Financial Resources and Funding

At 31 December 2006, 31 December 2005 and 31 December 2004, the Sinodata Group had net current assets of approximately RMB183.3 million, RMB120.7 million and RMB109.9 million respectively.

As at 31 December 2006, 31 December 2005 and 31 December 2004, Sinodata Group had cash reserves of approximately RMB14.1 million, RMB15.5 million and RMB10.9 million respectively. Most of the cash reserves were placed in major banks in the PRC.

The gearing ratio as at 31 December 2006 was 7.5%. The gearing ratio as at 31 December 2005 and 31 December 2004 was nil as Sinodata Group did not have any bank borrowings as at 31 December 2005 and 31 December 2004. The gearing ratio was derived by dividing the aggregate of bank borrowings by the amount of shareholders' equity. The liquidity ratio of the Sinodata Group, represented by a ratio between current assets over current liabilities, was 558%, 894% and 504% for 31 December 2006, 31 December 2005 and 31 December 2004 respectively.

In July 2006, the Sinodata Group entered into purchase agreements to acquire leasehold land use rights and buildings in the PRC for an aggregate consideration of RMB23,593,670. As at 31 December 2006, the acquisition has not yet completed and the amount of consideration paid pursuant to the purchase agreements had been included and shown under the heading of non-current assets.

In addition to the above, in July 2006 the Sinodata Group also entered into mortgage loan agreements with the banks to pledge the above leasehold land use rights and buildings to secure the bank borrowings of RMB13,750,612.

Apart from the above, Sinodata Group did not have any bank borrowings as at 31 December 2005 and 31 December 2004. Sinodata Group mainly used its internally generated cash flow to fund its operations.

Share Capital

The registered capital and paid-in capital of Sinodata as at 1 January 2004 was RMB32,000,000. There has been no change in the capital structure of Sinodata during the years ended 31 December 2004 and 31 December 2005. In December 2006, the registered capital and paid-in capital of Sinodata was increased to RMB35,560,000 by way of capital contribution by an equity holder. There was no change in the capital structure after the capital contribution and up to the Latest Practicable Date.

Exchange Rate Risk

Sinodata Group's assets, liabilities and transactions are denominated in Renminbi. Sinodata 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.

Human Resources

As at 31 December 2006, Sinodata Group had 270 employees.

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

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

Contingent Liabilities

Sinodata Group has no significant contingent liabilities as at 31 December 2006.

The auditors of Sinodata Group have mentioned in the accountant's report that there were two subsidiaries, 深圳市金帆軟件技術有限公司(“金帆軟件”) and 杭州思樂禾源數碼技術有限公司(“杭州思樂”), which were disposed of during the Relevant Periods. The financial information of 杭州思樂 was not incorporated in the accountant's report. All the financial statements relating to this subsidiary had been taken away by the purchaser. As a result, Sinodata Group's management was not able to gather sufficient financial information relating to this subsidiary. 杭州思樂 operated in separate lines of business which were different from the remaining companies of Sinodata Group. In addition, since there are no significant transactions between 杭州思樂 and the other companies of the Sinodata Group during the Relevant Periods, the Directors are of the view that the non-inclusion of such financial information of 杭州思樂 does not have any material adverse impact on the subject matters of the Acquisitions, nor would they affect the fairness and reasonableness of the considerations for the Acquisitions and would not make the accountants report of Sinodata Group misleading.

The results and cash flows of 金帆軟件 for the period from 1 January 2004 to its date of disposal have been included in the financial information of the Sinodata Group for the Relevant Period within “discontinued operations” as set out in Appendix I.

Sinodata Group has about 270 employees in the PRC and the total staff cost (including directors' remuneration) during each of the three years ended 31 December 2006, 31 December 2005 and 31 December 2004 were approximately RMB11.3 million, RMB9.9 million and RMB9.1 million respectively. The revenues and expenses of Sinodata Group are mainly denominated in RMB. Accordingly, Sinodata Group does not have material exposure to fluctuations in exchange rate.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources of the Group, the Group will have sufficient working capital for its normal business for the next twelve months from the date of this circular.

INDEBTEDNESS

At the close of business on 31 May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$9,167,000 and RMB13,316,000. The bank borrowing of HK$9,167,000 was secured by listed investments belonging to clients with the market value of approximately HK$26,474,000. The bank borrowing of RMB13,316,000 was secured on the deposit for acquisition of leasehold land use right and buildings of RMB23,593,000. The outstanding short term other loans are interest bearing at prime rate or HIBOR plus a spread and had no fixed terms of repayment.

Save as aforesaid or as otherwise disclosed therein, and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2007, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, other loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirm that there is no significant change in indebtedness of the Group as at 31 May 2007 up to the Latest Practicable Date.

SPECIAL GENERAL MEETING

The Special General Meeting will be convened and held to consider and, if thought fit, approve the Acquisitions.

The notice of the Special General Meeting is set out on pages 212 to 215 of this circular. A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the Special General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you wish.

PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND A POLL AT THE SPECIAL GENERAL MEETING

The following sets out the procedures by which the Shareholders may demand poll at the Special General Meeting.

According to bye-law 70 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of such meeting; or

(ii) at least three Shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any Shareholder or Shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) any Shareholder or Shareholders present in person or by a duly authorized corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(v) if required by the Listing Rules, by the chairman of the meeting and/or any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as demand by a Shareholder.

RECOMMENDATIONS

Based on the relevant information disclosed herein, the Directors believe that the terms of the Acquisitions are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve the Acquisitions.

ADDITIONAL INFORMATION

Your attention is also drawn to the financial and general information set out in the appendices to this circular.

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

The following is the text of a report dated 29 June 2007 made by the independent reporting accountants, Ting Ho Kwan & Chan, for the purpose of incorporation in this circular.

TING HO KWAN & CHAN

CERTIFIED PUBLIC ACCOUNTANTS

The Directors
REXCAPITAL Financial Holdings Limited
Suite 3401, 34/F., COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Shenzhen Sinodata Technology Co., Ltd. ("Sinodata") and its subsidiaries (hereinafter collectively referred to as the "Sinodata Group") for each of the three years ended 31 December 2004, 2005 and 2006 (the "Relevant Period") for the inclusion in the circular of REXCAPITAL Financial Holdings Limited (the "Company") dated 29 June 2007 (the "Circular") in connection with the proposed further acquisitions of 18.94% equity interest in Sinodata.

Sinodata was established with limited liability pursuant to the Company Law of the People's Republic of China ("PRC") on 13 March 1998. Its principal activities are the development and production of proprietary lottery machines, related operating software system and networks for the welfare lottery industry in the PRC.

All companies comprising the Sinodata Group have adopted 31 December as their financial year end date.

The Sinodata Group disposed of its 90% equity interest in 深圳市金帆軟件技術有限公司 and its 60% equity interest in 杭州思樂禾源數碼技術有限公司 on 5 April 2004 and 10 August 2005 respectively.

The results and cash flows of 深圳市金帆軟件技術有限公司 for the period from 1 January 2004 to its date of disposal have been included in the financial information of the Sinodata Group for the Relevant Period within "discontinued operations".

Due to the reason as mentioned in the Note 19 to the report, the results and cash flows of the disposed subsidiary namely 杭州思樂禾源數碼技術有限公司 for the period from 1 January 2004 to its date of disposal and its assets and liabilities as at 31 December 2004 have not been included in the financial information of the Sinodata Group for the Relevant Period.

南京正見營銷諮詢有限公司 ("南京正見") is 80% owned by Sinodata Group, and was incorporated in 2004 with a registered capital of RMB500,000. The principal activity of 南京正見 is the provision of consultation and training services. No audited financial statements have been prepared for 南京正見. We have, however, reviewed all the relevant transactions undertaken by this company for the period from 2 June 2004 (the date of establishment) to 31 December 2006, and carried out such procedures as we considered necessary for inclusion of the financial information relating to this company in this report.

The statutory financial statements of Sinodata and its subsidiaries for the Relevant Period, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC, were audited during the Relevant Period by the respective auditors as indicated below:

Name	**Financial year ended 31 December**	**Auditors**
Shenzhen Sinodata Technology Co., Ltd *(Note (i))*	2004	深圳楚才會計師事務所
	2005	深圳中興信會計師事務所
	2006	深圳市南方民和會計師事務所
深圳市思樂數據設備服務有限公司*(Note (ii))*	2004	深圳楚才會計師事務所
	2005	深圳中興信會計師事務所
	2006	深圳市南方民和會計師事務所

Notes:

(i) The consolidated financial statements for the three years ended 31 December, 2004, 2005 and 2006 under PRC GAAP as prepared by Sinodata had excluded 杭州思樂禾源數碼技術有限公司.

(ii) It was incorporated in 2004.

(iii) The management of Sinodata Group advised that the frequent change in auditors of Sinodata Group was due to commercial decisions between Sinodata and the respective auditors. The management of Sinodata Group also confirmed that (i) there was no disagreement between the respective auditors and Sinodata Group and (ii) there were no matters in connection with the change of auditors that need to be brought to the attention of the members of Sinodata.

For the purpose of this report, the directors of Sinodata have prepared the financial statements of Sinodata and the Sinodata Group for the Relevant Period ("HKFRS financial statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of Sinodata are responsible for preparing the HKFRS financial statements which give a true and fair view.

In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the HKFRS financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information set out in Sections I to II below (the "Financial Information") has been prepared based on the HKFRS financial statements.

We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The directors of Sinodata and the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

杭州思樂禾源數碼技術有限公司 is disposed of during the Relevant Period and accordingly its financial statements for the Relevant Period have been taken out by the acquirers for their retention. As a result, Sinodata's management has not been able to gather sufficient information to incorporate their results, cash flows, assets and liabilities into HKFRS financial statements. As a consequence, we are unable to quantify the effect on the departure from the requirements of HKAS 27 "Consolidated and Separate Financial Statements".

In our opinion, except for the possible effect of the circumstances referred to above in respect of 杭州思樂禾源數碼技術有限公司, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information prepared on the basis set out in Note 2.1 of Section II below, gives a true and fair view of the state of affairs of Sinodata and the Sinodata Group as at 31 December 2004, 2005 and 2006, and of the results and cash flows of the Sinodata Group for the Relevant Period.

I FINANCIAL INFORMATION

(a) Consolidated income statements

		Year ended 31 December		
		2004	**2005**	**2006**
	Notes	*RMB*	*RMB*	*RMB*
Continuing operations:				
Sales	*5*	58,448,557	77,624,509	192,531,883
Cost of sales		(23,132,888)	(35,347,015)	(103,609,434)
Gross profit		35,315,669	42,277,494	88,922,449
Other income and gains, net	*6*	1,654,430	620,714	2,501,203
Selling and distribution expenses		(8,405,968)	(8,808,142)	(12,740,218)
General and administrative expenses		(9,578,432)	(12,490,750)	(15,634,941)
Other operating expenses		(3,210,239)	(198,309)	(209,608)
Operating profit		15,775,460	21,401,007	62,838,885
Finance costs	*7*	(24,600)	–	(646,492)
Profit before taxation	*8*	15,750,860	21,401,007	62,192,393
Income tax expenses	*11*	(302,312)	(646,245)	(9,907,045)
Profit for the year from continuing operations		15,448,548	20,754,762	52,285,348
Discontinued operations:				
Profit for the year from discontinued operations	*33*	108,653	–	–
Profit for the year		15,557,201	20,754,762	52,285,348
Attributable to:				
Equity holders of Sinodata	*12*	14,148,090	19,728,248	51,814,836
Minority interests		1,409,111	1,026,514	470,512
		15,557,201	20,754,762	52,285,348
Dividends	*13*	10,000,000	18,000,000	–

(b) Consolidated balance sheets

		At 31 December		
		2004	2005	2006
	Notes	*RMB*	*RMB*	*RMB*
Non-current assets				
Property, plant and equipment	*14(a)*	24,704,680	24,355,310	26,465,307
Leasehold land and land use rights	*15*	1,372,237	1,330,014	1,287,792
Intangible assets	*16*	1,539,524	1,157,778	776,032
Deposits for acquisition of leasehold land use rights and buildings	*17*	–	–	23,593,670
Subsidiary not consolidated	*19*	3,000,000	–	–
Available-for-sale financial assets	*21*	2,000,000	–	–
		32,616,441	26,843,102	52,122,801
Current assets				
Leasehold land and land use rights	*15*	42,223	42,223	42,223
Inventories	*20*	29,438,842	35,475,977	43,342,217
Available-for-sale financial assets	*21*	–	6,000,000	–
Trade receivables	*22(a)*	23,817,633	25,765,436	76,157,141
Prepayments and other receivables		25,439,834	17,112,061	45,726,963
Amounts due from investee companies	*23*	940,000	–	–
Amounts due from shareholders	*24(a)*	5,106,608	5,052,308	–
Prepaid income tax		729,823	729,823	–
Cash and cash equivalents	*25*	10,897,693	15,467,599	14,136,132
		96,412,656	105,645,427	179,404,676
Total assets		129,029,097	132,488,529	231,527,477

		At 31 December		
		2004	**2005**	**2006**
	Notes	*RMB*	*RMB*	*RMB*
Equity				
Capital and reserves attributable to the equity holders of Sinodata				
Share capital	*26*	32,000,000	32,000,000	35,560,000
Reserves	*27(a)*	77,298,073	87,026,321	147,709,655
		109,298,073	119,026,321	183,269,655
Minority interests	*27(a)*	616,474	1,642,988	–
Total equity		109,914,547	120,669,309	183,269,655
Non-current liabilities				
Bank borrowings	*28*	–	–	12,724,324
Deferred tax liabilities	*29*	–	–	3,394,135
		–	–	16,118,459
Current liabilities				
Trade payables	*30*	8,250,751	10,064,633	16,956,053
Accruals and other payables		2,696,487	1,111,068	4,466,203
Amount due to a related company		6,865,000	–	–
Amount due to a shareholder		–	–	5.980,000
Dividend payable to minority shareholders		1,000,000	–	–
Current income tax liabilities		302,312	643,519	3,710,819
Bank borrowings	*28*	–	–	1,026,288
		19,114,550	11,819,220	32,139,363
Total liabilities		19,114,550	11,819,220	48,257,822
Total equity and liabilities		129,029,097	132,488,529	231,527,477

(c) Balance sheets

		At 31 December		
		2004	**2005**	**2006**
	Notes	*RMB*	*RMB*	*RMB*
Non-current assets				
Property, plant and equipment	*14(b)*	24,570,627	24,231,281	26,355,281
Leasehold land and land use rights	*15*	1,372,237	1,330,014	1,287,792
Intangible assets	*16*	1,539,524	1,157,778	776,032
Deposits for acquisition of leasehold land use rights and buildings	*17*	–	–	23,593,670
Interests in subsidiaries	*18*	4,800,000	(1,468,269)	(10,783,270)
Available-for-sale financial assets	*21*	2,000,000	–	–
		34,282,388	25,250,804	41,229,505
Current assets				
Leasehold land and land use rights	*15*	42,223	42,223	42,223
Inventories	*20*	29,438,842	35,475,977	43,342,217
Available-for-sale financial assets	*21*	–	6,000,000	–
Trade receivables	*22(b)*	19,614,721	23,368,472	70,002,834
Prepayments and other receivables		29,295,597	16,601,954	45,253,835
Amounts due from investee companies	*23*	940,000	–	–
Amounts due from shareholders	*24(b)*	5,106,608	2,052,308	–
Cash and cash equivalents	*25*	5,343,026	9,321,169	12,136,718
		89,781,017	92,862,103	170,777,827
Total assets		124,063,405	118,112,907	212,007,332

		At 31 December		
		2004	2005	2006
	Notes	*RMB*	*RMB*	*RMB*
Equity				
Capital and reserves attributable to the equity holders of Sinodata				
Share capital	*26*	32,000,000	32,000,000	35,560,000
Reserves	*27(b)*	74,308,455	74,579,954	129,551,633
Total equity		106,308,455	106,579,954	165,111,633
Non-current liabilities				
Bank borrowings	*28*	–	–	12,724,324
Deferred tax liabilities	*29*	–	–	3,394,135
		–	–	16,118,459
Current liabilities				
Trade payables	*30*	8,250,751	10,064,633	16,956,053
Accruals and other payables		2,336,887	840,239	3,885,358
Amount due to a related company		6,865,000	–	–
Amount due to a shareholder		–	–	5,980,000
Current income tax liabilities		302,312	628,081	2,929,541
Bank borrowings	*28*	–	–	1,026,288
		17,754,950	11,532,953	30,777,240
Total liabilities		17,754,950	11,532,953	46,895,699
Total equity and liabilities		124,063,405	118,112,907	212,007,332

(d) Consolidated cash flow statements

		Year ended 31 December		
		2004	**2005**	**2006**
	Notes	*RMB*	*RMB*	*RMB*
Operating activities				
Net cash inflows generated from operations	*31(a)*	13,295,405	19,326,320	11,147,317
Income tax paid		(973,994)	(305,038)	(3,445,610)
Income tax refunded		–	–	729,823
Net cash inflows from operating activities		12,321,411	19,021,282	8,431,530
Investing activities				
Purchases of property, plant and equipment		(13,612,400)	(5,623,015)	(9,717,058)
Purchases of intangible assets		(8,730)	–	–
Proceeds on sales of property, plant and equipment		–	48,850	–
Partial receipts of proceeds from sale of subsidiary not consolidated		–	480,000	–
Partial receipts of proceeds from sale of available-for-sale financial assets		–	600,000	–
Disposal of a subsidiary, net of cash received	*33*	(2,250,713)	–	–
Partial receipts of deferred consideration for disposal of a subsidiary		–	900,000	–
Cash outflow from increase in shareholding in a subsidiary		–	–	(1,035,000)
Deposits paid for acquisition of leasehold land use rights and buildings		–	–	(23,593,670)
Interest received		307,541	142,789	128,611
Net cash outflows from investing activities		(15,564,302)	(3,451,376)	(34,217,117)

		Year ended 31 December		
		2004	**2005**	**2006**
	Notes	*RMB*	*RMB*	*RMB*
Financing activities				
Proceeds from bank borrowings raised	*31(c)*	–	–	14,090,000
Repayment of bank borrowings	*31(c)*	–	–	(339,388)
Contributions from equity holder		–	–	30,000,000
Contributions from minority shareholders		300,000	–	–
Dividends paid		(10,000,000)	(10,000,000)	(18,000,000)
Dividends paid to minority shareholders		–	(1,000,000)	(650,000)
Interest paid		(24,600)	–	(646,492)
Net cash (outflows)/ inflows from financing activities		(9,724,600)	(11,000,000)	24,454,120
Net increase/(decrease) in cash and cash equivalents		(12,967,491)	4,569,906	(1,331,467)
Cash and cash equivalents at the beginning of the year		23,865,184	10,897,693	15,467,599
Cash and cash equivalents at the end of the year	*25*	10,897,693	15,467,599	14,136,132

(e) Consolidated statements of changes in equity

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Total equity at the beginning of the year	106,148,203	109,914,547	120,669,309
Profit for the year	15,557,201	20,754,762	52,285,348
Dividends approved and declared during the year			
– to equity holders of Sinodata	(10,000,000)	(10,000,000)	(18,000,000)
– to minority shareholders of a subsidiary	(1,000,000)	–	(650,000)
Capital injection by minority shareholders of subsidiaries	300,000	–	–
Capital contributions by equity holder	–	–	30,000,000
Arising from additional investment in a subsidiary	–	–	(1,463,500)
Excess of fair value of net assets acquired over consideration	–	–	428,498
Disposal of a subsidiary	(1,090,857)	–	–
Total equity at the end of the year	109,914,547	120,669,309	183,269,655

II NOTES TO THE FINANCIAL INFORMATION

1 Organisation and principal activities

Sinodata was established with limited liability pursuant to the Company Law of the People's Republic of China ("PRC") on 13 March 1998.

The address of Sinodata's registered office is Flats B, C & D, 3rd Floor, Block 7, Tianan Industrial Zone, Nanyou, Shenzhen, PRC.

Sinodata and its subsidiaries (together the "Sinodata Group") are engaged in the development and production of proprietary lottery machines, related operating software system and networks for the welfare lottery industry in the PRC.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation and preparation

The Financial Information presents the results, cash flows and financial position of the Sinodata Group for each of the years ended 31 December 2004, 2005 and 2006, and has been prepared under the historical cost convention.

The Financial Information of the Sinodata Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information of the Sinodata Group also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and have been prepared in accordance with all applicable accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance throughout the Relevant Period. The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Sinodata's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

The adoption of new/revised HKFRS

In 2006, the Sinodata Group has adopted the amendments and interpretation of HKFRS below that are first effective for the accounting period beginning on or after 31 December 2005 or 1 January 2006 and are relevant to its operations for the year ended 31 December 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The application of the above amendments and interpretation of HKFRS had no material effect on the Sinodata Group's results and equity for the current or prior accounting periods. The Sinodata Group has not early applied any new standard, amendment or interpretation that has been issued by the HKICPA, but is not yet effective *(see Note 35)*.

2.2 Consolidation

The financial information include the financial information of Sinodata and all of its subsidiaries made up to 31 December.

Subsidiaries are all entities over which the Sinodata Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Sinodata Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Sinodata Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Sinodata Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Sinodata Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Sinodata Group.

Minority interests represent the interests of outside shareholders in the results and net assets of Sinodata's subsidiaries.

In the Sinodata's balance sheet the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by Sinodata on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segment operating in other economic environments.

No business or geographical segment analysis is presented as over 90% of the operations, assets and liabilities of the Sinodata Group during the Relevant Period are related to the engagement in the development and production of proprietary lottery machines, related operating software system and networks for the welfare lottery industry in the PRC, and all of the assets and customers are located in the PRC.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Sinodata Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in Renminbi, which is also Sinodata Group entities' functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Sinodata Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line method to allocate cost to their residual values (if there are any) over their estimated useful lives as follows:

–	Buildings	30 years
–	Leasehold improvements	16%-50%
–	Lottery machines	4-5 years
–	Furniture, fixtures and equipment	5-10 years
–	Plant and machinery	5-10 years
–	Motor vehicles	10 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (*Note 2.8*).

2.6 Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in lessee-occupied properties.

Leasehold land and land use rights relating to buildings of the Sinodata Group are stated at cost and are amortised over the period of the lease on the straight line basis to the consolidated income statement.

2.7 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five to ten years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.8 Impairment of assets

(a) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables and financial assets carried at amortised cost, the impairment loss is measured as 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(b) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– leasehold land and land use rights classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use, in assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.9 Financial assets

The Sinodata Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Sinodata Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables in the consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Sinodata Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expenses in the consolidated income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Sinodata Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated income statement within 'other income and gains, net' in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as "gains or losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Sinodata Group's right to receive payments is established.

The Sinodata Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement even though such financial assets have not been derecognised. Impairment losses recognised in the consolidated income statement on such equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the consolidated income statement.

Impairment testing of trade and other receivables is described in Note 2.8(a).

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are initially at fair value, and after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

– Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts, and

– Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank borrowings in current liabilities on the balance sheet.

2.13 Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– Short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount, and

– Interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

2.14 Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

2.15 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, if the deferred tax arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Sinodata Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Sinodata Group does not provide a pension plan for its employees The Sinodata Group made contributions to defined contribution retirement plans in the PRC and are recognised as an expenses in the consolidated income statement as incurred. The Sinodata Group has no further payment obligations once the contributions have been paid.

(iii) Bonus plans

The Sinodata Group recognises a liability and an expense for bonuses on a discretionary basis after consideration of the profit attributable to Sinodata's members. The Sinodata Group recognises a provision where contractually obliged or where there is prior practice that has created a constructive obligation.

2.17 Financial guarantees issued, provisions and contingent liabilities

(a) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payment to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Sinodata Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Sinodata Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised, in accordance with note (c) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Sinodata Group under the guarantee; and (ii) the amount of that claim on the Sinodata Group is expected to exceed the amount current carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(b) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note (c) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note (c) below.

(c) Other provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when the Sinodata Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

2.19 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, and excludes value added tax or sales taxes and is shown net of returns, rebates and discounts and after eliminating sales within the Sinodata Group. Revenue is recognised as follows:

(i) Income from provision of lottery machines and related services, comprising:

(1) Sales of goods

Sales of goods including lottery machines and related software systems are recognised when the goods are delivered to the customers' premises which is taken to be the point in time when the customer has accepted the goods; the related risks and rewards of ownership and collectibility of the related receivables is reasonably assured.

(2) Income from lottery business

Income from lottery business including consultancy service, maintenance service and other related services are recognised in the accounting period in which the service is rendered.

(3) Income from sharing of lottery sales

Income from sharing of lottery sales shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Sinodata Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost recovery basis as condition warrants.

2.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Sinodata Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight line basis over the period of the lease.

2.21 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Dividends are recognised immediately as a liability when they are proposed and declared.

2.22 Related parties

A party is related to the Sinodata Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with, the Sinodata Group;

(2) has an interest in the Sinodata Group that gives its significant influence over the Sinodata Group; or

(3) has joint control over the Sinodata Group;

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

(c) the party is an associate;

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

The Sinodata Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, and cash flow risk as more fully enumerated below. The Sinodata Group's overall risk management program considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the Sinodata Group's financial performance.

(a) Credit risk

The Sinodata Group's has no significant concentrations of credit risk as the customers of Sinodata are authorised operators mainly, local lotteries issuance centres of welfare lottery in China. The Sinodata Group has policies in place to ensure that sales of products are made to customers on terms that are appropriate to their credit history. Additionally, the credit risk on liquid funds is limited because the counterparties are regulated banks in the PRC.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and working capital as well as the availability of funding through an adequate amount of committed credit facilities. The directors of Sinodata considered that the Sinodata Group has sufficient funds to meet its financial obligations and commitments in full as they fall due in the foreseeable future.

(c) Cash flow risk

While there are no significant concentrations of credit risk, the Sinodata Group may be exposed to delay in payments from customers and demand for payments from suppliers that may adversely affect overall cash flow. The Sinodata Group mitigates such risk by having a wide base of customers and suppliers.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Financial risk factors

The Sinodata Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of trade receivables

The Sinodata Group makes provision for impairment of trade receivables based on an assessment of the recoverability to trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(b) Write-down of obsolete and slow-moving inventories

The Sinodata Group writes down obsolete and slow-moving inventories to net realisable value based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Write-downs are applied to inventories where events or changes in circumstances indicate that the inventories may be obsolete or slow-moving. The identification of obsolete or slow-moving inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and charges in the period in which such estimate has been changed.

(c) Income taxes

The Sinodata Group is subject to PRC income tax only. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Sinodata Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

5 Turnover

The Sinodata Group are principally engaged in the development and production of proprietary lottery machines, related operating software system and networks for the welfare lottery industry in the PRC. Turnover represents revenues recognised from the sales of proprietary lottery machines and sharing certain percentage of lottery sales from its customers and related services during the Relevant Period as follows.

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Income from provision of lottery machines and related services	58,448,557	77,624,509	192,531,883

6 Other income and gains, net

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Other income			
Interest income on bank deposits	228,641	76,389	128,611
Interest income on loan receivables	78,900	66,400	–
Government subsidy	1,346,889	463,209	515,846
Others – selling of obsolete raw material	–	–	1,856,746
	1,654,430	605,998	2,501,203
Gains, net			
Gain on disposal of property, plant and equipment, net	–	14,716	–
	1,654,430	620,714	2,501,203

7 Finance costs

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Interest expense on bank loans not wholly repayable within 5 years	–	–	371,492
Interest on other borrowings wholly repayable within 5 years	24,600	–	275,000
	24,600	–	646,492

8 Profit before taxation

The Sinodata Group's profit before taxation is stated after (crediting) and charging the following:

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
(Gain)/loss on disposal of property, plant and equipment	6,612	(14,716)	–
Depreciation of property, plant and equipment *(Note 14)*	3,330,202	5,938,251	7,604,044
Auditors' remuneration	9,000	8,000	320,160
Amortisation of leasehold land and land use rights *(Note 15)*	42,223	42,223	42,222
Amortisation of intangible assets *(Note 16)*	380,873	381,746	381,746
Loss on disposal of a subsidiary	817,720	–	–
Property, plant and equipment written off	–	–	3,017
Provision for impairment of trade receivables	970,000	–	35,000
Write-down of obsolete and slow-moving inventories	–	–	791,691
Staff costs	9,107,733	9,899,942	11,349,054
Operating leases	493,135	462,919	718,718

9 Employee benefits expenses (including directors' emoluments)

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Wages and salaries	7,541,110	9,070,824	10,420,162
Retirement benefits	1,155,763	564,081	688,660
Other employee benefits	410,860	265,037	240,232
	9,107,733	9,899,942	11,349,054

The remuneration of directors and senior management of Sinodata Group for the three years ended 31 December 2004, 2005 and 2006 is set out below:

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Directors			
– Basic salaries, other allowances and benefits in kind	325,300	233,631	36,000
Senior management			
– Basic salaries, other allowances and benefits in kind	1,111,827	1,314,189	1,112,080

During the Relevant Period, no directors of Sinodata waived or agreed to waive any emoluments. No emoluments have been paid to the directors of Sinodata as an inducement to join or upon joining the Sinodata Group, or as compensation for loss of office.

10 Retirement benefits

Pursuant to the relevant PRC regulations, the Sinodata Group is required to make contributions to defined contribution retirement schemes organised by the relevant Social Security Bureau in respect of the retirement benefits for the Sinodata Group's employees in the PRC.

Save as disclosed above, the Sinodata Group has no other obligation to make payments in respect of retirement benefits of the employees.

11 Income tax expenses

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Current tax – PRC Enterprises Income Tax			
Current year	302,312	646,245	6,512,910
Deferred tax			
Origination and reversal of temporary differences	–	–	3,394,135
Taxation charge	302,312	646,245	9,907,045

Sinodata is a private limited liability company and is new technology enterprise located in Shenzhen and is eligible for application of tax holiday and concession which are in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years. The applicable income tax rate for Sinodata is 15%. 2000 is the first profitable year of Sinodata and the income for the two years ended 31 December 2004 and 2005 was subject to 50% reduction. In 2006, the tax holiday and concession periods were expired.

深圳市思樂數據設備服務有限公司 is a private limited liability company located in Shenzhen and is eligible for application of tax holiday and concession which are in the form of two years tax exemption from the date of commencement of operation. The applicable income tax rate for the subsidiary is 15%. 2004 is the first year of exemption and the income for the two years ended 31 December 2004 and 2005 was exempted.

All other subsidiaries are private limited liability companies established in the PRC. The applicable income tax rate for these subsidiaries is 33%.

The taxation on the Sinodata Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of 15% is as follows:

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Profit before taxation	15,750,860	21,401,007	62,192,393
Calculated at a tax rate of 15% on profit before taxation	2,362,629	3,210,151	9,328,859
Tax effect of income not taxable for tax purpose	(85,981)	(495,725)	(925,511)
Tax effect of expenses not deductible for tax purpose	323,390	243,398	1,537,235
Effect of tax exemption granted	(2,297,726)	(2,311,579)	–
Effect of different tax rates of certain subsidiaries operating in other jurisdictions	–	–	(33,538)
Taxation charge	302,312	646,245	9,907,045

12 Profit attributable to equity holders of Sinodata

Profit attributable to equity holders of Sinodata for the three years ended 31 December 2004, 2005 and 2006 is dealt with in the financial information of Sinodata to the extent of RMB11,115,768, RMB10,271,499 and RMB46,531,679 respectively.

13 Dividends

Final dividend payments of RMB10,000,000 and RMB18,000,000 for the year ended 31 December 2004 and 2005 were proposed on 20 January 2005 and 27 February 2006 respectively. No final dividend payment for the year ended 31 December 2006 was proposed. These financial information do not reflect final dividend proposed as dividend payable as at the balance sheet date.

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Final dividend proposed after the balance sheet date	10,000,000	18,000,000	–

14 Property, plant and equipment

(a) Sinodata Group

	Buildings	Leasehold improvements	Lottery machines	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Cost							
At 31.12.2003	3,460,300	–	11,158,121	3,374,009	1,160,124	1,126,000	20,278,554
Additions	–	–	12,395,370	40,405	627,663	548,962	13,612,400
Disposals	–	–	–	(37,250)	–	–	(37,250)
Disposal of a subsidiary	–	–	–	(141,449)	–	–	(141,449)
At 31.12.2004	3,460,300	–	23,553,491	3,235,715	1,787,787	1,674,962	33,712,255
Accumulated depreciation							
At 31.12.2003	288,358	–	2,923,146	1,675,566	240,980	597,523	5,725,573
Charge for the year	115,343	–	2,324,132	500,763	212,362	177,602	3,330,202
Written back on disposals	–	–	–	(30,638)	–	–	(30,638)
Disposal of a subsidiary	–	–	–	(17,562)	–	–	(17,562)
At 31.12.2004	403,701	–	5,247,278	2,128,129	453,342	775,125	9,007,575
Net book value							
At 31.12.2004	3,056,599	–	18,306,213	1,107,586	1,334,445	899,837	24,704,680
At 31.12.2003	3,171,942	–	8,234,975	1,698,443	919,144	528,477	14,552,981
Cost							
At 31.12.2004	3,460,300	–	23,553,491	3,235,715	1,787,787	1,674,962	33,712,255
Additions	–	362,600	888,416	1,737,616	2,342,000	292,383	5,623,015
Disposals	–	–	–	(83,812)	–	(251,000)	(334,812)
At 31.12.2005	3,460,300	362,600	24,441,907	4,889,519	4,129,787	1,716,345	39,000,458
Accumulated depreciation							
At 31.12.2004	403,701	–	5,247,278	2,128,129	453,342	775,125	9,007,575
Charge for the year	115,343	138,250	3,320,946	1,959,981	130,842	272,889	5,938,251
Written back on disposals	–	–	–	(62,228)	–	(238,450)	(300,678)
At 31.12.2005	519,044	138,250	8,568,224	4,025,882	584,184	809,564	14,645,148
Net book value							
At 31.12.2005	2,941,256	224,350	15,873,683	863,637	3,545,603	906,781	24,355,310
At 31.12.2004	3,056,599	–	18,306,213	1,107,586	1,334,445	899,837	24,704,680
Cost							
At 31.12.2005	3,460,300	362,600	24,441,907	4,889,519	4,129,787	1,716,345	39,000,458
Reclassification	–	619,400	–	638,763	(1,258,163)	–	–
Additions	–	–	8,313,265	778,145	165,100	460,548	9,717,058
Written off	–	–	–	(60,342)	–	–	(60,342)
At 31.12.2006	3,460,300	982,000	32,755,172	6,246,085	3,036,724	2,176,893	48,657,174
Accumulated depreciation							
At 31.12.2005	519,044	138,250	8,568,224	4,025,882	584,184	809,564	14,645,148
Reclassification	–	(89,150)	–	146,101	(56,951)	–	–
Charge for the year	115,344	196,400	7,114,305	(501,477)	548,246	131,226	7,604,044
Written back on write-off	–	–	–	(57,325)	–	–	(57,325)
At 31.12.2006	634,388	245,500	15,682,529	3,613,181	1,075,479	940,790	22,191,867
Net book value							
At 31.12.2006	2,825,912	736,500	17,072,643	2,632,904	1,961,245	1,236,103	26,465,307
At 31.12.2005	2,941,256	224,350	15,873,683	863,637	3,545,603	906,781	24,355,310

(b) Sinodata

	Buildings	Leasehold improvements	Lottery machines	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Cost							
At 31.12.2003	3,460,300	–	11,158,121	3,374,009	1,160,124	1,126,000	20,278,554
Additions	–	–	12,395,370	–	627,663	548,962	13,571,995
Disposals	–	–	–	(383,437)	–	–	(383,437)
At 31.12.2004	3,460,300	–	23,553,491	2,990,572	1,787,787	1,674,962	33,467,112
Accumulated depreciation							
At 31.12.2003	288,358	–	2,923,146	1,675,566	240,980	597,523	5,725,573
Charge for the year	115,343	–	2,324,132	372,111	212,362	177,602	3,201,550
Written back on disposals	–	–	–	(30,638)	–	–	(30,638)
At 31.12.2004	403,701	–	5,247,278	2,017,039	453,342	775,125	8,896,485
Net book value							
At 31.12.2004	3,056,599	–	18,306,213	973,533	1,334,445	899,837	24,570,627
At 31.12.2003	3,171,942	–	8,234,975	1,698,443	919,144	528,477	14,552,981
Cost							
At 31.12.2004	3,460,300	–	23,553,491	2,990,572	1,787,787	1,674,962	33,467,112
Additions	–	362,600	888,416	1,704,066	2,342,000	292,383	5,589,465
Disposals	–	–	–	(83,812)	–	(251,000)	(334,812)
At 31.12.2005	3,460,300	362,600	24,441,907	4,610,826	4,129,787	1,716,345	38,721,765
Accumulated depreciation							
At 31.12.2004	403,701	–	5,247,278	2,017,039	453,342	775,125	8,896,485
Charge for the year	115,343	138,250	3,320,946	1,916,407	130,842	272,889	5,894,677
Written back on disposals	–	–	–	(62,228)	–	(238,450)	(300,678)
At 31.12.2005	519,044	138,250	8,568,224	3,871,218	584,184	809,564	14,490,484
Net book value							
At 31.12.2005	2,941,256	224,350	15,873,683	739,608	3,545,603	906,781	24,231,281
At 31.12.2004	3,056,599	–	18,306,213	973,533	1,334,445	899,837	24,570,627
Cost							
At 31.12.2005	3,460,300	362,600	24,441,907	4,610,826	4,129,787	1,716,345	38,721,765
Reclassification	–	619,400	–	638,763	(1,258,163)	–	–
Additions	–	–	8,313,265	753,025	165,100	460,548	9,691,938
Written off	–	–	–	(60,342)	–	–	(60,342)
At 31.12.2006	3,460,300	982,000	32,755,172	5,942,272	3,036,724	2,176,893	48,353,361
Accumulated depreciation							
At 31.12.2005	519,044	138,250	8,568,224	3,871,218	584,184	809,564	14,490,484
Reclassification	–	(89,150)	–	146,101	(56,951)	–	–
Charge for the year	115,344	196,400	7,114,305	(540,600)	548,246	131,226	7,564,921
Written back on write-off	–	–	–	(57,325)	–	–	(57,325)
At 31.12.2006	634,388	245,500	15,682,529	3,419,394	1,075,479	940,790	21,998,080
Net book value							
At 31.12.2006	2,825,912	736,500	17,072,643	2,522,878	1,961,245	1,236,103	26,355,281
At 31.12.2005	2,941,256	224,350	15,873,683	739,608	3,545,603	906,781	24,231,281

15 Leasehold land and land use rights – Sinodata Group and Sinodata

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Cost			
At beginning and end of the year	1,562,240	1,562,240	1,562,240
Accumulated depreciation			
At beginning of the year	105,557	147,780	190,003
Amortisation for the year	42,223	42,223	42,222
At end of the year	147,780	190,003	232,225
Net book value			
At end of the year	1,414,460	1,372,237	1,330,015
Portion classified as current assets	(42,223)	(42,223)	(42,223)
	1,372,237	1,330,014	1,287,792

The Sinodata Group's interests in leasehold land and land use rights represent prepaid operating lease payments in the PRC held on leases for 50 years.

16 Intangible assets – Sinodata Group and Sinodata

	Software
	RMB
Cost	
At 1 January 2004	2,800,000
Additions	8,730
At 31 December 2004, 2005 and 2006	2,808,730
Accumulated depreciation	
At 1 January 2004	888,333
Amortisation	380,873
At 31 December 2004	1,269,206
Amortisation	381,746
At 31 December 2005	1,650,952
Amortisation	381,746
At 31 December 2006	2,032,698
Net book value	
At 31 December 2004	1,539,524
At 31 December 2005	1,157,778
At 31 December 2006	776,032

The intangible assets are amortised over their estimated useful lives of 5 to 10 years.

All amortisation charges were included in cost of sales for each of the years ended 31 December 2004, 2005 and 2006.

17 Deposits for acquisition of leasehold land use rights and buildings

In July 2006, the Sinodata Group entered into purchase agreements to acquire leasehold land use rights and buildings in the PRC for an aggregate consideration of RMB23,593,670. As at the balance sheet date, the acquisition has not yet completed and the amount of consideration paid pursuant to the purchase agreements had been included and shown under the heading of non current assets.

In addition to the above, the Sinodata Group also entered into mortgage loan agreements with the banks to pledge the above leasehold land use rights and buildings to secure the bank borrowings of RMB13,750,612 *(Note 28)*.

18 Interests in subsidiaries – Sinodata

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Investment cost	4,800,000	1,800,000	2,835,000
Amount due to a subsidiary	–	(3,268,269)	(13,618,270)
	4,800,000	(1,468,269)	(10,783,270)

Amount due to a subsidiary is unsecured, interest free and has no fixed term of repayment.

Sinodata made capital contribution of approximately RMB1,800,000 to set up a subsidiary in 2004 and disposed of two subsidiaries during the Relevant Period.

Particulars of the principal subsidiaries of Sinodata as at the date of this report are as follows:

Name	Place of establishment and kind of legal entities	Principal activities and place of operation	Registered and paid-in capital	Interest held Directly	Interest held Indirectly
深圳市思樂數據設備服務有限公司	PRC, limited liability company	provision of maintenance service for lottery machines in the PRC	RMB2,000,000	100%	–
南京正見營銷諮詢有限公司	PRC, limited liability company	provision of consultation service in the PRC	RMB500,000	–	80%

19 Subsidiary not consolidated – Sinodata Group

The subsidiary not consolidated as at 31 December 2004 represents Sinodata's investment in 60% equity interest in 杭州思樂禾源數碼技術有限公司 (“杭州思樂”), which was invested by Sinodata before 2003 and disposed of in 2005. 杭州思樂 was engaged in selling of automatic teller machines in the PRC.

As no sufficient records have been kept for 杭州思樂, the assets, liabilities and results of this disposed subsidiary have not been incorporated into the financial information of Sinodata for the Relevant Period.

According to the information provided by the management of Sinodata, 杭州思樂 was principally engaged in the business of development of system for automatic teller machines which differed from the remaining companies of the Sinodata Group in continuing operation. In addition, there were no significant transactions between 杭州思樂 and the other companies of the Sinodata Group.

20 Inventories – Sinodata Group and Sinodata

	2004	2005	2006
	RMB	*RMB*	*RMB*
Raw materials	25,351,119	25,890,259	32,845,537
Work-in-progress	82,789	1,496,889	9,321,355
Finished goods	4,986,993	9,070,888	2,949,075
	30,420,901	36,458,036	45,115,967
Less: Write-down of obsolete and slow-moving inventories	982,059	982,059	1,773,750
	29,438,842	35,475,977	43,342,217

21 Available-for-sale financial assets – Sinodata Group and Sinodata

	2004	2005	2006
	RMB	*RMB*	*RMB*
Unlisted equity investments established in the PRC			
At 1 January	2,000,000	2,000,000	6,000,000
Additions	–	6,000,000	–
Disposal	–	(2,000,000)	(6,000,000)
At 31 December	2,000,000	6,000,000	–
Classified as:			
Current assets	–	6,000,000	–
Non-current assets	2,000,000	–	–
	2,000,000	6,000,000	–

In June 2005, Sinodata acquired 30% equity interest in 北京順通典當有限責任公司(“北京順通”) at a consideration of RMB6,000,000 for settlement of amounts due from two non-trade debtors. In the opinion of the directors of Sinodata, Sinodata has no significant influence over 北京順通 and the investment was held with intention for subsequent disposal and, therefore this investment was shown as current asset in 2005.

In March 2006, Sinodata disposed of the entire interest in 北京順通 at a consideration of RMB6,000,000.

22 Trade receivables

(a) Sinodata Group

	2004	2005	2006
	RMB	*RMB*	*RMB*
Trade receivables	25,023,285	26,971,088	77,397,793
Less: Provision for impairment of receivables	1,205,652	1,205,652	1,240,652
	23,817,633	25,765,436	76,157,141

(b) Sinodata

	2004	2005	2006
	RMB	*RMB*	*RMB*
Trade receivables	20,820,373	24,574,124	71,243,486
Less: Provision for impairment of receivables	1,205,652	1,205,652	1,240,652
	19,614,721	23,368,472	70,002,834

The majority of the Sinodata Group's sales are on credit with terms generally ranging from 30 to 60 days. The ageing analysis of trade receivables for the Relevant Period is as follows:

(a) Sinodata Group

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Current – 30 days	15,528,461	15,464,525	65,656,252
31 – 60 days	–	2,606,938	811,400
61 – 90 days	392,000	3,807,975	7,217,041
Over 90 days	9,102,824	5,091,650	3,713,100
	25,023,285	26,971,088	77,397,793

(b) Sinodata

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Current – 30 days	11,653,549	15,094,499	63,616,111
31 – 60 days	–	585,000	811,400
61 – 90 days	72,000	3,807,975	6,397,875
Over 90 days	9,094,824	5,086,650	418,100
	20,820,373	24,574,124	71,243,486

There is no concentration of credit risk with respect to trade receivables as the Sinodata Group's customers are mainly the local lotteries issuance centres of welfare lottery dispersed in 13 Provinces in the PRC.

The Sinodata Group has recognised a loss of approximately RMB970,000 and RMB35,000 for the impairment of its trade receivables for the years ended 31 December 2004 and 2006 respectively. The loss was included in other operating expenses in the consolidated income statement.

The carrying amounts of the trade receivables approximate to their fair values.

23 Amounts due from investee companies – Sinodata Group and Sinodata

Amounts due from investee companies are unsecured, interest-free and have no fixed terms of repayment. Upon disposal of investee companies in 2005, these amounts due from former investee companies were reclassified to other receivables.

24 Amounts due from shareholders

(a) Sinodata Group

		2004	2005	2006
		RMB	*RMB*	*RMB*
(i)	深圳市思強實業發展有限公司			
	At 1 January	5,100,000	2,079,008	2,052,308
	Interest	51,300	–	–
	Repayments	(3,072,292)	(26,700)	(2,052,308)
	At 31 December	2,079,008	2,052,308	–
(ii)	國旅聯合股份有限公司			
	At 1 January	3,000,000	3,027,600	3,000,000
	Interest	27,600	66,400	–
	Repayments (net)	–	(94,000)	(3,000,000)
	At 31 December	3,027,600	3,000,000	–
	Total	5,106,608	5,052,308	–

(b) Sinodata

		2004	2005	2006
		RMB	*RMB*	*RMB*
(i)	深圳市思強實業發展有限公司			
	At 1 January	5,100,000	2,079,008	2,052,308
	Interest	51,300	–	–
	Repayments	(3,072,292)	(26,700)	(2,052,308)
	At 31 December	2,079,008	2,052,308	–
(ii)	國旅聯合股份有限公司			
	At 1 January	3,000,000	3,027,600	–
	Interest	27,600	66,400	–
	Repayments (net)	–	(3,094,000)	–
	At 31 December	3,027,600	–	–
	Total	5,106,608	2,052,308	–

These amounts are unsecured, have no fixed terms of repayment and interest-free except for two advances of RMB3,000,000 each bearing interest at the rate of 7.2% per annum.

25 Cash and cash equivalents – Sinodata Group and Sinodata

Cash and cash equivalents include only cash at banks and in hand.

26 Paid-in capital

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Registered capital:	32,000,000	32,000,000	35,560,000
Paid-in capital:			
At 1 January	32,000,000	32,000,000	32,000,000
Contributions by equity holder	–	–	3,560,000
At 31 December	32,000,000	32,000,000	35,560,000

27 Reserves and minority interests

(a) Sinodata Group

	Attributable to equity owners of Sinodata								
	Share premium *RMB*	**Surplus reserve** *RMB* *(note (i))*	**Statutory public welfare fund** *RMB* *(note (ii))*	**Capital reserve** *RMB* *(note (iii))*	**Retained profits** *RMB*	**Proposed final dividend** *RMB*	**Total** *RMB*	**Minority interests** *RMB*	**Total** *RMB*
At 1 January 2004	–	18,826,633	5,562,596	–	38,760,754	10,000,000	73,149,983	998,220	74,148,203
Profit for the year	–	–	–	–	14,148,090	–	14,148,090	1,409,111	15,557,201
Capital injection by minority shareholders of subsidiary	–	–	–	–	–	–	–	300,000	300,000
Disposal of subsidiary	–	–	–	–	–	–	–	(1,090,857)	(1,090,857)
Dividends approved and declared during the year	–	–	–	–	–	–	–	(1,000,000)	(1,000,000)
2003 proposed final dividend paid	–	–	–	–	–	(10,000,000)	(10,000,000)	–	(10,000,000)
Proposed final dividend	–	–	–	–	(10,000,000)	10,000,000	–	–	–
Appropriation	–	1,165,977	1,308,597	–	(2,474,574)	–	–	–	–
At 31 December 2004	–	19,992,610	6,871,193	–	40,434,270	10,000,000	77,298,073	616,474	77,914,547
Profit for the year	–	–	–	–	19,728,248	–	19,728,248	1,026,514	20,754,762
2004 proposed final dividend paid	–	–	–	–	–	(10,000,000)	(10,000,000)	–	(10,000,000)
Proposed final dividend	–	–	–	–	(18,000,000)	18,000,000	–	–	–
At 31 December 2005	–	19,992,610	6,871,193	–	42,162,518	18,000,000	87,026,321	1,642,988	88,669,309
Profit for the year	–	–	–	–	51,814,836	–	51,814,836	470,512	52,285,348
Dividends approved and Declared during the year	–	–	–	–	–	–	–	(650,000)	(650,000)
2005 proposed final dividend paid	–	–	–	–	–	(18,000,000)	(18,000,000)	–	(18,000,000)
Arising from additional investment in a subsidiary	–	–	–	–	–	–	–	(1,463,500)	(1,463,500)
Transfer of reserves *(note (ii))*	–	6,871,193	(6,871,193)	–	–	–	–	–	–
Excess of fair value of net assets acquired over consideration	–	–	–	428,498	–	–	428,498	–	428,498
Capital contributions by equity holder	26,440,000	–	–	–	–	–	26,440,000	–	26,440,000
At 31 December 2006	26,440,000	26,863,803	–	428,498	93,977,354	–	147,709,655	–	147,709,655

(b) Sinodata

	Share premium *RMB*	Surplus reserve *RMB* *(note (i))*	Statutory public welfare fund *RMB* *(note (ii))*	Retained profits *RMB*	Proposed final dividend *RMB*	Total *RMB*
At 1 January 2004	–	18,826,633	5,562,596	38,803,458	10,000,000	73,192,687
Profit for the year	–	–	–	11,115,768	–	11,115,768
2003 proposed final dividend paid	–	–	–	–	(10,000,000)	(10,000,000)
Proposed final dividend	–	–	–	(10,000,000)	10,000,000	–
Appropriation	–	–	725,609	(725,609)	–	–
At 31 December 2004	–	18,826,633	6,288,205	39,193,617	10,000,000	74,308,455
Profit for the year	–	–	–	10,271,499	–	10,271,499
2004 proposed final dividend paid	–	–	–	–	(10,000,000)	(10,000,000)
Proposed final dividend	–	–	–	(18,000,000)	18,000,000	–
At 31 December 2005	–	18,826,633	6,288,205	31,465,116	18,000,000	74,579,954
Profit for the year	–	–	–	46,531,679	–	46,531,679
2005 proposed final dividend paid	–	–	–	–	(18,000,000)	(18,000,000)
Transfer of reserves *(note (ii))*	–	6,288,205	(6,288,205)	–	–	–
Capital contributions by equity holder	26,440,000	–	–	–	–	26,440,000
At 31 December 2006	26,440,000	25,114,838	–	77,996,795	–	129,551,633

(i) Surplus reserve

According to the relevant rules and regulations in the PRC, Sinodata and its subsidiaries are required to appropriate 10% of after-tax profit (after offsetting prior year losses) to the statutory surplus reserve, based on the PRC statutory financial statements prepared in accordance with Accounting Standard for Business Enterprises in the PRC, until the balance of the reserve reaches 50% of their respective registered capital. Thereafter, any further appropriations can be made at the directors' discretion. The surplus reserve can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on condition that the surplus reserve shall be maintained at a minimum of 25% of the registered capital after such issuance.

(ii) Statutory public welfare fund

According to the relevant rules and regulations in the PRC, Sinodata and its subsidiaries are required to transfer 5% of its after-tax profit (after offsetting prior year losses) to the statutory public welfare fund, based on the PRC statutory financial statements prepared in accordance with Accounting Standard for Business Enterprises in the PRC. This fund can only be utilised on capital items for the collective benefits of the employees of Sinodata and its subsidiaries in the PRC. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

Pursuant to the revised Company Law of the PRC which was revised on 27 October 2005, Sinodata and its subsidiaries are no longer required to make profit appropriations to the statutory public welfare fund commencing from 1 January 2006. Pursuant to the notice "Cai Oi [2006] No.67" issued by the Ministry of Finance, the balance of this fund as at 31 December 2005 was transferred to the statutory surplus reserve.

(iii) Capital reserve

In 2006, Sinodata increased its shareholding in a subsidiary. The acquisition gave rise to an excess of interest in fair value of the identifiable net assets over consideration. As Sinodata had control on the subsidiary prior to this additional investment, the additional investment was considered as an equity transaction and the excess amount was credited to the reserve directly.

28 Bank borrowings – Sinodata Group and Sinodata

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Bank borrowings – secured	–	–	13,750,612
Less: Amount repayable within one year included in current liabilities	–	–	1,026,288
	–	–	12,724,324

The directors consider that the fair values of bank borrowings at the balance sheet date approximate to their carrying amounts.

29 Deferred taxation – Sinodata Group and Sinodata

(i) Deferred tax liabilities recognised

	Other
	RMB
At 1 January 2004, 2005 and 2006	–
Charged to the consolidated income statement *(Note 11)*	3,394,135
At 31 December 2006	3,394,135

(ii) Deferred tax assets/liabilities on temporary differences for the year ended 31 December 2004 and 2005 are insignificant.

30 Trade payables – Sinodata Group and Sinodata

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Current – 30 days	5,141,396	6,901,772	6,606,317
31 – 60 days	759,954	2,099,489	2,049,429
61 – 90 days	270,564	962,092	1,007,682
Over 90 days	2,078,837	101,280	7,292,625
	8,250,751	10,064,633	16,956,053

The carrying amounts of the trade payables approximate to their fair values.

31 Notes to consolidated cash flow statements

(a) Reconciliation of profit for the year to net cash inflows generated from operations

	Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Profit for the year	15,557,201	20,754,762	52,285,348
Income tax expenses	302,312	646,245	9,907,045
Depreciation of property, plant and equipment	3,330,202	5,938,251	7,604,044
Amortisation of intangible assets	380,873	381,746	381,746
Loss on disposal of a subsidiary	817,720	–	–
Property, plant and equipment written off	–	–	3,017
Amortisation of leasehold land and land use rights	42,223	42,223	42,222
Provision for impairment of trade receivables	970,000	–	35,000
Write-down of obsolete and slow-moving inventories	–	–	791,691
(Gain)/loss on disposal of property, plant and equipment	6,612	(14,716)	–
Interest income	(307,541)	(142,789)	(128,611)
Interest expenses	24,600	–	646,492
Operating profit before working capital changes	21,124,202	27,605,722	71,567,994
Changes in working capital:			
Inventories	(9,458,910)	(6,037,136)	(8,657,932)
Trade receivables	(1,933,212)	(1,947,803)	(50,426,706)
Prepayments and other receivables	(6,309,970)	(389,387)	(28,614,902)
Amounts due from investee companies	(880,000)	12,160	–
Amounts due from shareholders	(6,608)	54,300	5,052,308
Trade payables	2,170,576	1,813,882	6,891,420
Accruals and other payables	1,724,327	(1,585,418)	15,335,135
Amount due to a related company	6,865,000	(200,000)	–
Net cash inflows generated from operations	13,295,405	19,326,320	11,147,317

(b) Major non-cash transactions

In June 2005, Sinodata acquired 30% equity interest in 北京順通典當有限責任公司 at a consideration of RMB6,000,000 for settlement of amounts due from two non-trade debtors. Details of the transaction has been set out in note 21.

(c) Analysis of changes in financing

	Long term bank borrowings Year ended 31 December		
	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
At 1 January	–	–	–
Inceptions	–	–	14,090,000
Repayments	–	–	(339,388)
At 31 December	–	–	13,750,612

32 Commitments

(a) Sinodata Group

	2004	2005	2006
	RMB	*RMB*	*RMB*
At 31 December 2006, the Sinodata Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:			
Land and buildings			
within one year	–	–	19,217

The Sinodata Group leases premises under operating leases. The leases run for an initial period of nine months to one year. The leases do not include any contingent rentals.

(b) Sinodata

	2004	2005	2006
	RMB	*RMB*	*RMB*
At 31 December 2006, Sinodata's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:			
Land and buildings			
within one year	–	–	15,750

Sinodata leases premises under operating leases. The leases run for an initial period of one year. The leases do not include any contingent rentals.

Other than the operating lease commitments, the Sinodata Group and Sinodata did not have any capital commitments as at 31 December 2004, 2005 and 2006.

33 Discontinued operations

In April 2004, Sinodata disposed of its interest in 深圳市金帆軟件技術有限公司 to an independent third party at a consideration of RMB9,000,000. An analysis of the results of the discontinued operations is as follows:

	2004
	RMB
Revenue	1,245,044
Expense	(318,671)
Profit before tax	926,373
Tax	–
Profit after tax	926,373
Pre-tax loss recognised on the realisation of assets of disposal group	(817,720)
Tax	–
Post-tax loss recognised on the realisation of assets of disposal group	(817,720)
Profit for the year from discontinued operations	108,653

	2004
	RMB
Operating cash flows	419,755
Investing cash flows	(8,219,995)
Financing cash flows	–
Total cash flows	(7,800,240)
Property, plant and equipment	123,887
Investments	200,000
Trade and other receivables	8,507,431
Cash at banks	2,250,713
Total assets	11,082,031
Trade and other payables	(173,454)
Minority interests	(1,090,857)
Net assets	9,817,720
Consideration	9,000,000
Net assets sold	(9,817,720)
Loss on disposal of discontinued operations	(817,720)
Consideration satisfied by:	
Cash received	–
Deferred consideration	9,000,000
	9,000,000
Cash received	–
Transfer out of cash at banks	(2,250,713)
Net cash outflow on disposal	(2,250,713)

The deferred consideration was settled by subsequent repayments of RMB900,000 and offsetting an advance of RMB6,665,000 due to the disposed subsidiary and assignment of the remaining debts of RMB1,435,000 to a new shareholder of the disposed subsidiary in 2005.

34 Balances and transactions with related parties

During the Relevant Period, details of the Sinodata Group's significant transactions with the following related parties, together with balances with them as at 31 December 2004, 2005 and 2006, are as follows:

	2004	**2005**	**2006**
	RMB	*RMB*	*RMB*
Companies under common control:			
IT support and development fee received	4,700,000	–	–
Balance due from the Sinodata Group	6,865,000	–	–
Substantial shareholders:			
Interest expenses	24,600	–	–
Interest income	78,900	66,400	–
Balance due to the Sinodata Group	5,106,608	5,052,308	–
Balance due from the Sinodata Group	–	–	5,980,000

On 21 January 2005, 國旅聯合股份有限公司 (“國旅聯合”), which is a listed company established in the PRC, acquired additional 3% equity interest of Sinodata from another shareholder. Such acquisition increased 國旅聯合 ownership interest in Sinodata to 51%. At 31 December 2006, the Sinodata Group is controlled by REXCAPITAL Financial Holdings Limited which in the opinion of the directors of Sinodata is the ultimate holding company of Sinodata.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Period

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in this Financial Information.

Of these developments, the following relate to matters that may be relevant to the Sinodata's operations and financial statements:

	Effective for accounting periods beginning on or after
HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

The Sinodata 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 applications. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Sinodata Group's results of operations and financial position.

36 Subsequent events

The Sinodata Group has no significant subsequent event.

III SUBSEQUENT FINANCIAL STATEMENTS

No financial statements of the Sinodata Group have been audited in respect of any period subsequent to 31 December 2006.

Yours faithfully,
TING HO KWAN & CHAN
Certified Public Accountants (Practising)
Hong Kong

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the financial years ended 31 December 2006, 2005, and 2004, which is extracted from the annual reports of the Group for the relevant years. The auditors of the Company have given unqualified opinions on the financial statements for each of the three years ended 31 December 2006, 2005 and 2004.

CONSOLIDATED INCOME STATEMENT

	2006	**2005**	**2004**
	HK$	*HK$*	*HK$*
Turnover	173,882,886	41,937,858	169,137,308
Other income	5,503,491	1,225,288	1,036,851
Other gains/(losses), net	15,412,970	(6,473,277)	2,167,311
Bad debts recovery, net	3,013,777	–	–
Impairment losses for bad and doubtful debts written back, net	2,181,806	–	–
Raw materials consumed	(56,005,491)	–	–
Cost of trading of listed securities	(12,544,094)	(3,009,600)	(91,978,376)
Commission expenses	(3,056,885)	(5,042,656)	(14,161,963)
Depreciation and amortisation expenses	(6,309,089)	(1,846,390)	(2,159,938)
Impairment losses for bad and doubtful debts	–	(18,140,997)	(95,623,513)
Staff costs	(24,617,127)	(19,004,618)	(17,955,225)
Other operating expenses	(38,568,737)	(30,758,447)	(18,352,404)
Operating profit/(loss)	58,893,507	(41,112,839)	(67,889,949)
Finance costs	(17,260,214)	(12,838,986)	(13,929,970)
Profit/(loss) before taxation	41,633,293	(53,951,825)	(81,819,919)
Taxation	(11,001,740)	3,252,051	4,146,344
Profit/(loss) for the year	30,631,553	(50,699,774)	(77,673,575)
Attributable to:			
Equity holders of the Company	11,170,190	(50,699,774)	(77,673,575)
Minority interests	19,461,363	–	–
	30,631,553	(50,699,774)	(77,673,575)
Earnings/(loss) per share			
– Basic	0.26 cents	(1.69) cents	(2.59) cents
– Diluted	0.25 cents	–	–

CONSOLIDATED BALANCE SHEET

	2006	**2005**	**2004**
	HK$	*HK$*	*HK$*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	43,138,567	3,451,685	4,706,116
Prepaid lease payments on land use rights	5,981,522	–	–
Goodwill	384,095,385	–	–
Intangible assets	11,944,892	–	–
Deposits for acquisition of leasehold land use rights and buildings	23,499,671	–	–
Investment security	–	–	50,000
Statutory deposits	2,132,400	3,820,042	3,735,026
Deferred tax assets	3,715,054	7,609,481	4,357,430
Total non-current assets	474,507,491	14,881,208	12,848,572
CURRENT ASSETS			
Inventories	53,568,664	–	–
Trade receivables	323,101,470	291,018,286	334,420,776
Other receivables	40,000,000	–	–
Other debtors, deposits and prepayments	66,683,505	2,264,088	3,268,946
Financial assets at fair value through profit or loss	20,287,536	13,382,291	–
Other investments	–	–	22,928,294
Profits tax refundable	3,181,370	790,000	–
Cash and cash equivalents	164,867,477	27,181,323	73,927,970
Total current assets	671,690,022	334,635,988	434,545,986
TOTAL ASSETS	1,146,197,513	349,517,196	447,394,558

	2006	2005	2004
	HK$	*HK$*	*HK$*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	59,170,000	30,000,000	30,000,000
Reserves	752,261,799	84,572,317	128,232,091
	811,431,799	114,572,317	158,232,091
Minority interests	118,611,742	–	–
TOTAL EQUITY	930,043,541	114,572,317	158,232,091
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	41,308,809	24,563,205	78,841,837
Other payables and accruals	26,333,813	4,802,237	4,642,320
Current tax liabilities	3,693,120	–	–
Bank borrowings	125,667,366	205,579,437	205,678,310
Total current liabilities	197,003,108	234,944,879	289,162,467
NON-CURRENT LIABILITIES			
Bank borrowings	12,776,705	–	–
Deferred tax liabilities	6,374,159	–	–
Total non-current liabilities	19,150,864	–	–
TOTAL LIABILITIES	216,153,972	234,944,879	289,162,467
TOTAL EQUITY AND LIABILITIES	1,146,197,513	349,517,196	447,394,558
Net current assets	474,686,914	99,691,109	145,383,519
Total assets less current liabilities	949,194,405	114,572,317	158,232,091

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below is the audited consolidated financial statement of the Group for the year ended 31 December 2006 as extracted from the Company's 2006 annual report.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** *HK$*	**2005** *HK$*
Turnover	*5*	173,882,886	41,937,858
Other income	*5*	5,503,491	1,225,288
Other gains/(losses), net	*5*	15,412,970	(6,473,277)
Bad debts recovery, net		3,013,777	–
Impairment losses for bad and doubtful debts written back, net		2,181,806	–
Raw materials consumed		(56,005,491)	–
Cost of trading of listed securities		(12,544,094)	(3,009,600)
Commission expenses		(3,056,885)	(5,042,656)
Depreciation and amortisation expenses	*9*	(6,309,089)	(1,846,390)
Impairment losses for bad and doubtful debts		–	(18,140,997)
Staff costs	*7*	(24,617,127)	(19,004,618)
Other operating expenses		(38,568,737)	(30,758,447)
Operating profit/(loss)		58,893,507	(41,112,839)
Finance costs	*8*	(17,260,214)	(12,838,986)
Profit/(loss) before taxation	*9*	41,633,293	(53,951,825)
Taxation	*12*	(11,001,740)	3,252,051
Profit/(loss) for the year		30,631,553	(50,699,774)
Attributable to:			
Equity holders of the Company	*15*	11,170,190	(50,699,774)
Minority interests		19,461,363	–
		30,631,553	(50,699,774)
Earnings/(losses) per share	*15*		
– Basic		0.26 cents	(1.69) cents
– Diluted		0.25 cents	–

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	2006 HK$	2005 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	16	43,138,567	3,451,685
Prepaid lease payments on land use rights	17	5,981,522	–
Goodwill	18	384,095,385	–
Intangible assets	19	11,944,892	–
Deposits for acquisition of leasehold land use rights and buildings	20	23,499,671	–
Statutory deposits	22	2,132,400	3,820,042
Deferred tax assets	23	3,715,054	7,609,481
Total non-current assets		474,507,491	14,881,208
Current assets			
Inventories	24	53,568,664	–
Trade receivables	25	323,101,470	291,018,286
Other receivables	26	40,000,000	–
Other debtors, deposits and prepayments		66,683,505	2,264,088
Financial assets at fair value through profit or loss	27	20,287,536	13,382,291
Profits tax refundable		3,181,370	790,000
Cash and bank balances	28	164,867,477	27,181,323
Total current assets		671,690,022	334,635,988
Total assets		1,146,197,513	349,517,196

	Notes	2006 HK$	2005 HK$
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	29	59,170,000	30,000,000
Reserves		752,261,799	84,572,317
		811,431,799	114,572,317
Minority interests		118,611,742	–
Total equity		930,043,541	114,572,317
Current liabilities			
Trade payables	31	41,308,809	24,563,205
Other payables and accruals		26,333,813	4,802,237
Current tax liabilities		3,693,120	–
Bank borrowings	33	125,667,366	205,579,437
Total current liabilities		197,003,108	234,944,879
Non-current liabilities			
Bank borrowings	33	12,776,705	–
Deferred tax liabilities	23	6,374,159	–
Total Non-current liabilities		19,150,864	–
Total liabilities		216,153,972	234,944,879
Total equity and liabilities		1,146,197,513	349,517,196
Net current assets		474,686,914	99,691,109
Total assets less current liabilities		949,194,405	114,572,317

BALANCE SHEET
At 31 December 2006

	Notes	2006 HK$	2005 HK$
ASSETS			
Non-current assets			
Interests in subsidiaries	21	789,751,496	125,729,612
Current assets			
Other debtors and prepayments		114,806	–
Cash and bank balances	28	819,579	3,953
		934,385	3,953
Total assets		790,685,881	125,733,565
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	29	59,170,000	30,000,000
Reserves	32	727,930,516	84,503,930
Total equity		787,100,516	114,503,930
Current liabilities			
Bank borrowings	33	–	9,426,696
Other payables and accruals		3,585,365	1,802,939
Total liabilities		3,585,365	11,229,635
Total equity and liabilities		790,685,881	125,733,565
Net current liabilities		(2,650,980)	(11,225,682)
Total assets less current liabilities		787,100,516	114,503,930

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share capital *HK$*	Share premium *HK$*	Share-based payment reserve *HK$*	Special reserve *HK$*	Exchange translation reserve *HK$*	Retained profits/ (Accumulated losses) *HK$*	Attributable to equity holders of the parent *HK$*	Minority interests *HK$*	Total *HK$*
At 1 January 2005	30,000,000	–	–	112,269,559	–	15,962,532	158,232,091	–	158,232,091
Recognition of share option benefits at fair value	–	–	7,040,000	–	–	–	7,040,000	–	7,040,000
Loss for the year	–	–	–	–	–	(50,699,774)	(50,699,774)	–	(50,699,774)
At 31 December 2005	30,000,000	–	7,040,000	112,269,559	–	(34,737,242)	114,572,317	–	114,572,317
Exchange difference arising from translation of foreign operations recognised directly in equity	–	–	–	–	(1,301,156)	–	(1,301,156)	1,949,846	648,690
Minority interests arising from acquisition of subsidiaries (note 39)	–	–	–	–	–	–	–	88,660,992	88,660,992
Increase in investment in a subsidiary	–	–	–	–	–	–	–	8,539,541	8,539,541
Recognition of share option benefits at fair value	–	–	7,277,000	–	–	–	7,277,000	–	7,277,000
Issue of new shares	29,170,000	658,521,000	–	–	–	–	687,691,000	–	687,691,000
Transaction costs attributable to issue of new shares	–	(7,977,552)	–	–	–	–	(7,977,552)	–	(7,977,552)
Transfer to share premium on exercise of share options	–	6,267,523	(6,267,523)	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	11,170,190	11,170,190	19,461,363	30,631,553
At 31 December 2006	59,170,000	656,810,971	8,049,477	112,269,559	(1,301,156)	(23,567,052)	811,431,799	118,611,742	930,043,541

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$	2005 HK$
OPERATING ACTIVITIES			
Profit/(loss) for the year		30,631,553	(50,699,774)
Adjustments for:			
Taxation	12	11,001,740	(3,252,051)
Interest income	5	(24,667,126)	(27,832,068)
Interest expenses	8	17,260,214	12,838,986
Share options benefits	30	7,277,000	7,040,000
Impairment losses for bad and doubtful debts		–	18,140,997
Impairment losses for bad and doubtful debts written back, net		(2,181,806)	–
Write down of inventories		1,766,684	–
Depreciation and amortisation expenses	9	6,309,089	1,846,390
Loss on disposal of property, plant and equipment	9	–	196,027
Gain on disposal of available-for-sale financial asset	5	–	(63,126)
Unrealised fair value (gains)/losses on financial assets at fair value through profit or loss	5	(15,412,970)	6,536,403
Operating profit/(loss) before changes in working capital		31,984,378	(35,248,216)
Inventories		14,152,389	–
Statutory deposits		1,687,642	(85,016)
Trade receivables		(12,912,975)	25,261,493
Other receivables		(40,000,000)	–
Other debtors, deposits and prepayments		(18,224,293)	1,004,858
Financial assets at fair value through profit or loss		8,507,725	(19,918,694)
Other investments		–	22,928,294
Bank balances – segregated accounts		4,527,772	43,181,534
Trade payables		(7,997,694)	(54,278,632)
Other payables and accruals		(15,035,389)	159,917

	Notes	2006 HK$	2005 HK$
Net cash used in operations		(33,310,445)	(16,994,462)
Interest received		25,476,822	27,832,068
Interest paid		(17,260,214)	(12,838,986)
Taxation paid		(4,058,124)	(790,000)
Net cash used in operating activities		(29,151,961)	(2,791,380)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*16*	(8,764,381)	(787,985)
Acquisition of subsidiaries	*39*	(121,893,170)	–
Deposits for acquisition of leasehold land use right and buildings		(23,499,671)	–
Proceeds on disposal of available-for-sale financial asset		–	113,125
Net cash used in investing activities		(154,157,222)	(674,860)
FINANCING ACTIVITIES			
Issue of shares, net of issuing costs		515,913,448	–
Increase in pledged bank deposit		(123,286,616)	–
New bank borrowings		14,033,865	–
Repayment of bank borrowings		(341,934)	–
Cash generated from financing activities		406,318,763	–
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		223,009,580	(3,466,240)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		(199,558,931)	(196,092,691)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*28*	23,450,649	(199,558,931)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1. General information

The Company was incorporated in Bermuda as an exempted Company with limited liability. The principal place of business of the Company is located at 34/F, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparing for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group in Hong Kong on 15 August 2000 and its shares were listed on the Main Board of the Stock Exchange with effect from 28 September 2000.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

During the year, the Group involves in the following principal activities:

- Financial services:
  - Broking
  - Securities margin financing
  - Corporate finance and asset management
- Money lending
- Investment trading and holding
- Lottery business through acquisition of subsidiaries in current year

The lottery business comprises development and production of lottery machines, related operating software system and networks for lottery industry in the People's Republic of China (the "PRC").

Details of the acquisition of lottery business and segment information of lottery business are shown in notes 6 and 39 to the financial statements.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of 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 of Hong Kong Limited (the "Stock Exchange"). The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The adoption of new/revised HKFRS

In 2006, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that these was no significant impact on the Group's results and equity for the current or prior accounting periods.

Standards, interpretation and amendments to existing standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations to existing standards which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods as follows:

Effective from 1 January 2007	
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)
HK(IFRIC) – Int 8	Scope of HKFRS 2 (effective from 1 March 2006)
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK(IFRIC) – Int 10	Interim Reporting and Impairment (effective from 1 November 2006)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures
Effective from 1 January 2009	
HKFRS 8	Operating Segments

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

(b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(d) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated at the following annual rates sufficient to write off their costs less any accumulated impairment losses and residual values (if, there are any) over their estimated useful lives. The principal annual rates and methods used for this purpose are as follows:

– Leasehold buildings	30 – 50 years
– Leasehold improvements	20%
– Lottery machines	5 years
– Furniture, fixtures and equipment	20% – 25%
– Plant and machinery	25%
– Motor vehicles	19% – 20%

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Prepaid lease payments on land use rights

Prepaid lease payments on land use rights are lump sum upfront payments to acquire long-term interest in lessee-occupied properties.

Prepaid lease payments on land use rights relating to buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to the consolidated income statement.

(f) Intangible assets

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

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

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of ten years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(ii) Deferred development cost

Expenditure incurred on projects to develop computer software is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible, and the products have commercial value. Product development expenditure which does not meet this criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the commercial lives of the underlying production, subject to a maximum of 20 years commencing from the date when the products are put into commercial production.

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investment in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale financial assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid lease payments on land use rights classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Investments

The Group classified its investment in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables in the balance sheet *(Note 25)*.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value, and after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

- Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts; and

- Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts *(See note 2(h))*.

(l) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, bank overdrafts which are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(m) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– Short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transactions costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The subsidiaries in the PRC do not provide a pension plan for their employees. The subsidiaries in the PRC made contributions to the defined contribution retirement plans in the PRC and are recognised as expense in the income statement as incurred. The subsidiaries have no further payment obligations once the contributions have been paid.

(ii) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payment to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2q(iii) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(q)(iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(q)(iii) below.

(iii) Other provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(s) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(ii) Commission income and handling fee income, asset management and advisory fee income

Income arising from broking, corporate finance and asset management is recognised when the relevant services are rendered and the amount can be reliably estimated and it is probable that it will be received.

(iii) Income from trading of listed securities

Income from trading of listed securities is recognised as revenue on a trade date basis.

(iv) Income from provision of lottery machines and related services, comprising:

(1) Sales of goods

Sales of goods including lottery machines and related software systems are recognised when the goods are delivered to the customers' premises which is taken to be the point in time when the customer has accepted the goods; the related risks and rewards of ownership and collectibility of the related receivables is reasonably assured.

(2) Income from lottery business

Income from lottery business including consultancy service, maintenance service and other related services are recognised in the accounting period in which the service is rendered.

(3) Income from sharing of lottery sales

Income from sharing of lottery sales shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

(t) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease. Contingent rentals (if any) are charged to the income statement in the accounting period in which they are incurred.

(u) Related parties

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with, the Group;

(2) has an interest in the Group that gives its significant influence over the Group; or

(3) has joint control over the Group;

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

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

(v) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are reocgnised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. Financial risk management objectives and policies

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity rate, cash flow and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as follows:

(i) Market risk

(1) Foreign currency risks

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The Group did not have significant exposure to foreign exchange risk arising from the above receivables in the current year.

The Group's lottery business operates in the PRC with most of transactions settled in RMB and did not have significant exposure to foreign exchange risk during the current year. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(2) Price risk

The Group is exposed to equity price risk through investments in equity securities. The Board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

(ii) Credit risk

The Group's maximum exposure to credit risk in the event of the clients' and foreign brokers' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible to compile the credit and risk management policies, to approve credit limits and determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual accounts receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Group consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

The Group's lottery business also does not have significant concentrations of credit risks as the customers are authorized operators mainly, local lotteries issuance centres of welfare lottery in China. The Group has policies in place to ensure that sales of goods are made to customers on terms that are appropriate to their credit history. Additionally, the credit risk on liquid funds is limited because the counterparties are regulated banks in the PRC.

(iii) Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with Clearing House or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place. The directors considered that the Group has sufficient fund to meet its financial obligations and commitments in full as they fall due in the foreseeable future.

(iv) Cash flow and fair value interest rate risks

Most of the bank borrowings that are collateralised by margin client's securities, carry interest at variable rates which can mitigate the cash flow interest rate risk. Certain of the bank borrowings carry fixed-rate interest. To mitigate the fair value interest rate risk, the Group entered into interest rate swap to hedge against its exposures to changes in fair values of these borrowings.

While the Group's lottery business does not have significant concentrations of credit risk, the Group may be exposed to delay in payments from customers and demand for payments from suppliers that may adversely affect overall cash flow. The Group mitigates such risk by having a wide base of customers and suppliers.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and make assumptions that are based on market conditions exiting at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustment of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 18)*.

(ii) Impairment losses for bad and doubtful debts

The Group makes provision for impairment of doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(iii) Write-down of obsolete and slow-moving inventories

The Group writes down obsolete and slow-moving inventories to net realisable value based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Write-downs are applied to inventories where events or changes in circumstances indicate that the inventories may be obsolete or slow-moving. The identification of obsolete or slow-moving inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and charges in the year in which such estimate has been changed.

(iv) Income taxes

As at 31 December 2006, a deferred tax asset of HK$1,545,054 in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$95,423,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

The Group's lottery business is subject to the PRC income tax only. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax expenses in the year in which such determination is made.

5. Turnover, other income and gains/(losses), net

Turnover represents commission income and handling fee income, interest income, income from trading of listed securities, assets management and advisory fee income, income from provision of lottery machines and related services.

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

	2006	**2005**
	HK$	*HK$*
Turnover		
Commission income and asset management income	7,827,048	13,979,609
Interest income from:		
– Banks on financial services	709,067	266,623
– Margin clients	10,223,338	14,270,764
– Loan receivables	10,942,978	13,070,662
Income from trading of listed securities	29,137,230	350,200
Income from provision of lottery machines and related services	115,043,225	–
	173,882,886	41,937,858
Other income		
Interest income on bank deposits	2,791,743	224,019
Government grants	261,318	–
Sundry income	2,450,430	1,001,269
	5,503,491	1,225,288
Other gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss	15,412,970	(6,536,403)
Gain on disposal of available-for-sale financial asset	–	63,126
	15,412,970	(6,473,277)
	194,799,347	36,689,869

6. Segment information

Business segments

For management purposes, the Group is organised into the following four major operating divisions:

i) Financial services

ii) Money lending

iii) Investment trading and holding

iv) Lottery business

In accordance with the Group's internal financial and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

(i) The segment assets, liabilities at 31 December 2006 and segment results for the year ended 31 December 2006 are as follows:

	As at and for the year ended 31 December 2006				
	Financial services	**Money lending**	**Investment trading and holding**	**Lottery business**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	18,107	10,943	29,790	115,043	173,883
Segment results	1,065	(9,738)	21,097	39,676	52,100
Net unallocated expenses					(10,467)
Profit before taxation					41,633
Taxation					(11,001)
Profit for the year					30,632
Assets					
Segment assets	50,900	248,420	164,635	679,451	1,143,406
Unallocated assets					2,791
Total assets					1,146,197
Liabilities					
Segment liabilities	30,530	418	–	181,260	212,208
Unallocated liabilities					3,945
Total liabilities					216,153

The segment assets, liabilities at 31 December 2005 and segment results for the year ended 31 December 2005 are as follows:

	As at and for the year ended 31 December 2005			
	Financial services	**Money lending**	**Investment trading and holding**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	28,250	13,071	617	41,938
Segment results	(17,965)	(16,171)	(9,273)	(43,409)
Net unallocated expenses				(10,543)
Loss before taxation				(53,952)
Taxation				3,252
Loss for the year				(50,700)
Assets				
Segment assets	79,373	250,050	18,402	347,825
Unallocated assets				1,692
Total assets				349,517
Liabilities				
Segment liabilities	45,893	177,427	9,427	232,747
Unallocated liabilities				2,197
Total liabilities				234,944

(ii) Other segment information

For the year ended 31 December 2006

	Financial services	**Money lending**	**Investment trading and holding**	**Lottery business**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information					
Depreciation and amortisation	1,473	–	7	4,829	6,309
Impairment losses of bad and doubtful debts	430	13,688	–	–	14,118
Impairment losses of bad and doubtful debts written back	6,300	10,000	–	–	16,300
Bad debts recovery, net	3,013	–	–	–	3,013
Capital expenditure	122	–	–	384,297	384,419

For the year ended 31 December 2005

	Financial services	**Money lending**	**Investment trading and holding**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information					
Depreciation and amortisation	1,839	–	–	7	1,846
Impairment losses of bad and doubtful debts	5,741	12,400	–	–	18,141
Capital expenditure	788	–	–	–	788

Geographical segments

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

As at and for the year ended 31 December 2006

	Turnover	Segment results and profit before taxation	Total assets	Total liabilities	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	58,840	1,957	466,746	34,893	–
PRC	115,043	39,676	679,451	181,260	384,419
	173,883	41,633	1,146,197	216,153	384,419

As at and for the year ended 31 December 2005

	Turnover	Segment results and profit before taxation	Total assets	Total liabilities	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	41,938	(53,952)	349,517	234,944	788
PRC	–	–	–	–	–
	41,938	(53,952)	349,517	234,944	788

7. Staff costs

	2006	2005
	HK$	*HK$*
Salaries, allowances and benefits in kind	20,551,389	17,534,922
Bonuses	202,344	118,786
MPF contributions	224,894	345,195
Employee share option benefits	3,638,500	1,005,715
	24,617,127	19,004,618

8. Finance costs

	2006	2005
	HK$	*HK$*
Interest on bank loans and overdrafts	16,372,812	12,548,780
Interest on client payables with no fixed repayment terms	887,402	290,206
	17,260,214	12,838,986

9. Profit/(loss) before taxation

	2006	2005
	HK$	*HK$*
The Group's profit/(loss) before taxation is stated after charging the following:		
Auditor's remuneration		
– current year	1,750,000	338,000
– underprovision in prior year	71,500	30,000
Depreciation and amortisation on:		
– Property, plant and equipment	5,974,511	1,846,390
– Prepaid lease payments on land use rights	22,853	–
– Intangible assets	311,725	–
Loss on disposal of property, plant and equipment	–	196,027
Operating lease rentals in respect of office premises and warehouse	4,311,635	4,165,840
Research and development costs	2,968,342	–

10. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the The Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Companies Ordinance, is as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Fees:		
Executive directors	80,000	80,000
Independent non-executive directors	240,000	240,000
	320,000	320,000
Other emoluments for executive directors:		
Salaries, housing, other allowances and benefits in kind	5,207,426	6,008,092
MPF contributions	18,000	24,000
	5,545,426	6,352,092

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2006	**2005**
	HK$	*HK$*
YUEN Wai Ho	80,000	80,000
ON Kien Quoc	80,000	80,000
CHOW Siu Ngor	80,000	80,000
	240,000	240,000

There were no other emoluments payable to the independent non-executive directors during the year. In addition, no remuneration was 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 (2005: Nil).

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Share-based payment	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
2006					
Executive directors:					
CHAN How Chung, Victor	–	3,906,198	12,000	–	3,918,198
LEE Huei Lin (retired on 19.06.2006)	–	1,301,228	6,000	–	1,307,228
BOO Chun Lon	80,000	–	–	–	80,000
	80,000	5,207,426	18,000	–	5,305,426
2005					
Executive directors:					
CHAN How Chung, Victor	–	3,605,740	12,000	–	3,617,740
LEE Huei Lin	–	2,402,352	12,000	–	2,414,352
BOO Chun Lon	80,000	–	–	–	80,000
	80,000	6,008,092	24,000	–	6,112,092

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no remuneration was 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 (2005: Nil).

11. Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2005: two) were directors of the Company whose emoluments were included in the disclosures in note 10 above. The emoluments of the remaining three (2005: three) individuals and the former director (see note below) were as follows:

	2006	**2005**
	HK$	*HK$*
Salaries, allowances and benefits in kind	6,818,441	2,682,013
MPF contributions	41,190	36,000
	6,859,631	2,718,013

Their remuneration was within the following bands:

	2006	**2005**
	Number of employees	*Number of employees*
Nil to HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	2	–
	4	3

Other than the above remaining three individuals, the emoluments of the former director, LEE Huei Lin, following her retirement were also included in the emoluments of the five highest paid individuals.

12. 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 (2005: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

One of the subsidiaries of the Group's lottery business in the PRC, Beijing Guard Libang Technology Co Ltd, is eligible for application of tax holiday and concession which are in the form of three years tax exemption from the year 2003 to 2005 and followed by a 50% reduction of applicable tax rate in the following three years commencing from 2006. The applicable income tax rate for this subsidiary in current year is 7.5%. The applicable income tax rate for the remaining subsidiaries of the Group's lottery business in current year is 15% as their tax holiday and concession periods were expired.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2006	**2005**
	HK$	*HK$*
Current tax:		
– Hong Kong	–	–
– PRC	3,726,701	–
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	7,275,039	(3,252,051)
Taxation charge/(credit)	11,001,740	(3,252,051)

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profit/(loss) of the consolidated companies is as follows:

	2006	2005
	HK$	*HK$*
Profit/(loss) before taxation	41,633,293	(53,951,825)
Taxation at the domestic income tax rate of 17.5% (2005: 17.5%)	7,285,826	(9,441,570)
Tax effect of income not subject to taxation	(1,614,384)	(70,208)
Tax effect of expenses not deductible for taxation purposes	5,026,045	3,061,956
Tax effect of tax losses not recognised	3,635,284	2,004,385
Tax effect of temporary differences not recognised	(1,018,566)	1,193,386
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,312,465)	–
Taxation charge/(credit)	11,001,740	(3,252,051)

13. Profit attributable to equity holders of the company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of the loss of HK$14,393,862 (2005: the loss of HK$92,267,886).

14. Dividend

The Board does not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005: Nil).

15. Earnings/(losses) per share

(a) Basic earnings/(losses) per share

The basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

	2006	**2005**
	HK$	*HK$*
Profit/(loss) attributable to equity holders of the Company	11,170,190	(50,699,774)
Weighted average number of ordinary shares in issue	4,381,072,877	3,000,000,000
Basic earnings/(losses) per share	0.26 cents	(1.69 cents)

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit for the year and on 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 the deemed exercise of all share options outstanding during the year.

	2006
	HK$
Profit for the year, used in the basic and diluted earnings per share calculation	11,170,190
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,381,072,877
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	131,922,733
	4,512,995,610
Diluted earnings per share	0.25 cents

Diluted losses per share for the year ended 31 December 2005 has not been shown as the options outstanding during the year 2005 has an anti-diluted effect on the basic losses per share for the year 2005.

16. Property, plant and equipment

The Group

	Leasehold buildings HK$	Leasehold improvements HK$	Lottery machines HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Total HK$
Cost							
At 1 January 2005	–	5,241,881	–	12,695,873	–	–	17,937,754
Additions	–	663,035	–	124,950	–	–	787,985
Disposals	–	(480,730)	–	(20,480)	–	–	(501,210)
At 31 December 2005	–	5,424,186	–	12,800,343	–	–	18,224,529
Arising on acquisition of subsidiaries *(note 39)*	4,147,400	953,398	23,730,007	6,535,105	23,937,576	2,409,178	61,712,664
Additions	–	–	8,280,144	426,069	25,299	32,869	8,764,381
Exchange realignment	89,841	24,690	614,522	152,146	159,972	55,910	1,097,081
At 31 December 2006	4,237,241	6,402,274	32,624,673	19,913,663	24,122,847	2,497,957	89,798,655
Accumulated depreciation							
At 1 January 2005	–	1,865,131	–	11,366,507	–	–	13,231,638
Charge for the year	–	1,071,948	–	774,442	–	–	1,846,390
Written back on disposal	–	(296,329)	–	(8,855)	–	–	(305,184)
At 31 December 2005	–	2,640,750	–	12,132,094	–	–	14,772,844
Arising on acquisition of subsidiaries *(Note 39)*	615,783	143,010	12,042,590	3,259,474	8,309,845	1,059,783	25,430,485
Charge for the year	58,635	1,074,703	3,265,599	951,759	548,838	74,977	5,974,511
Exchange realignment	14,722	3,703	311,860	77,837	51,391	22,735	482,248
At 31 December 2006	689,140	3,862,166	15,620,049	16,421,164	8,910,074	1,157,495	46,660,088
Net book value							
At 31 December 2006	3,548,101	2,540,108	17,004,624	3,492,499	15,212,773	1,340,462	43,138,567
At 31 December 2005	–	2,783,436	–	668,249	–	–	3,451,685

Notes:

(i) Bank borrowings of HK$741,116 *(Note 33)* are secured on leasehold building located in the PRC for the carrying value of HK$658,705 (2005: Nil).

(ii) All leasehold buildings situate outside Hong Kong and are held under medium term leases.

The Company

The Company has no property, plant and equipment as at 31 December 2006 (2005: Nil).

17. Prepaid lease payments on land use rights

The Group

	HK$
Cost	
At 31 December 2005	–
Arising on acquisition of subsidiaries *(Note 39)*	6,256,845
Exchange realignment	43,626
At 31 December 2006	6,300,471
Accumulated depreciation	
At 31 December 2005	–
Arising on acquisition of subsidiaries *(Note 39)*	290,447
Provided for the year	22,853
Exchange realignment	5,649
At 31 December 2006	318,949
Carrying value	
At 31 December 2006	5,981,522
At 31 December 2005	–

The Company

The Company has no prepaid lease payments on land use rights as at 31 December 2006 (2005: Nil).

The Group's interests in prepaid lease payments on land use rights represent prepaid operating lease payments and their net book values with leases of between 10-50 years (2005: Nil).

Bank borrowings of HK$741,116 *(Note 33)* are secured on leasehold buildings and land use rights for the carrying values of HK$658,705 and HK$1,007,968 respectively (2005: Nil).

18. Goodwill

	HK$
COST	
At 1 January 2005 and at 31 December 2005	–
Arising on acquisitions of subsidiaries *(see note 39)*	375,555,844
Arising from the increase of investment in a subsidiary	8,539,541
At 31 December 2006	384,095,385

As at 31 December 2006, the carrying amount of goodwill represents the goodwill arising from acquisition of lottery business in 2006 *(note 39)*.

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill arising from acquisition of lottery business by reference to the cash-generating unit's value in use and determined that such goodwill has not been impaired. The recoverable amount for the cash-generating units in relation to the lottery business was determined based on value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering the operation period of the business with a discount rate of 10%. The discount rate used reflects specific risks relating to the business and is in line with the forecasts adopted by the industry.

The goodwill is included in the lottery business segment disclosed in note 6 to the financial statements.

19. Intangible assets

The Group

	Three trading rights in the Stock Exchange	One trading right in The Hong Kong Futures Exchange Limited	Computer software	Deferred development costs	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 1 January 2005	4,042,800	149,600	–	–	4,192,400
Elimination of accumulated amortisation upon the application of HKAS 38	(4,042,800)	(149,600)	–	–	(4,192,400)
At 31 December 2005	–	–	–	–	–
Arising on acquisitions of subsidiaries *(Note 39)*	–	–	7,885,652	9,376,903	17,262,555
Exchange realignment	–	–	91,171	37,359	128,530
At 31 December 2006	–	–	7,976,823	9,414,262	17,391,085
Accumulated amortisation					
At 1 January 2005	4,042,800	149,600	–	–	4,192,400
Elimination of accumulated amortisation upon the application of HKAS 38	(4,042,800)	(149,600)	–	–	(4,192,400)
At 31 December 2005	–	–	–	–	–
Arising on acquisitions of subsidiaries *(Note 39)*	–	–	2,905,905	2,169,160	5,075,065
Exchange realignment	–	–	50,761	8,642	59,403
Charge for the year	–	–	233,273	78,452	311,725
At 31 December 2006	–	–	3,189,939	2,256,254	5,446,193
Net book value					
At 31 December 2006	–	–	4,786,884	7,158,008	11,944,892
At 31 December 2005	–	–	–	–	–

Until 31 December 2004, the trading rights had been amortised over their estimated useful lives based on directors' assessments. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives. The Group has applied the revised useful lives prospectively and carried the trading rights at its carrying amount at 31 December 2004 of nil value.

Computer software of HK$4,786,884 is the intangible asset acquired and possessed by the lottery business. The intangible asset has definite useful life and is amortised over its estimated useful life of 10 years.

Deferred development cost of HK$7,158,008 represents expenditure incurred by the Group on development of computer software and related technology for the lottery business of the Group in order to meet with the market development and the specific requirements of the lottery business and its individual customers. The directors consider that the related software and technology are technically and commercially feasible and the Group has sufficient resources and the intention to complete the development activities.

The amortisation charge for the year in respect of the acquired computer software and deferred development cost is included in "cost of inventories sold" shown in note 24.

20. Deposits for acquisition of leasehold land use rights and buildings

In July 2006, the Group entered into purchase agreements to acquire leasehold land use rights and buildings in the PRC for an aggregate consideration of approximately HK$23,500,000. As at the balance sheet date, the acquisition has not yet completed and the amount of consideration paid pursuant to the purchase agreements had been included and shown under the heading of non current assets.

In addition to the above, the Group also entered into mortgage loan agreements with the banks to pledge the above leasehold land use rights and buildings to secure the bank borrowings of HK$13,695,828 *(Note 33)*.

21. Interests in subsidiaries

	2006	**2005**
	HK$	*HK$*
Unlisted shares, at cost	286,338,133	286,338,117
Impairment losses	(127,000,000)	(127,000,000)
	159,338,133	159,338,117
Amount due from a subsidiary	697,039,363	149,957,749
Impairment losses	(66,000,000)	(66,000,000)
	631,039,363	83,957,749
Amounts due to subsidiaries	(626,000)	(117,566,254)
	789,751,496	125,729,612

Amounts due from/(to) subsidiaries were unsecured, interest-free and have no fixed term of repayment.

Details of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name	**Place of incorporation/ registration**	**Principal activities and place of operation**	**Particulars of issued share capital/ registered capital**	**Effective interest held**
REXCAPITAL Financial Group Limited	British Virgin Islands	Investment holding in Hong Kong	197,400,856 ordinary shares of HK$1 each	100%
REXCAPITAL Financial Investment Limited	Hong Kong	Investment holding in Hong Kong	25,000,000 ordinary shares of HK$1 each	100%
REXCAPITAL Asset Management Limited	Hong Kong	Investment holding, provision of advisory and fund management services in Hong Kong	5,000,000 ordinary shares of HK$1 each	100%
REXCAPITAL Finance Limited	Hong Kong	Money lending and investment trading in Hong Kong	2,000,000 ordinary shares of HK$1 each	100%

Name	Place of incorporation/ registration	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
REXCAPITAL Futures Limited	Hong Kong	Futures and commodities dealing in Hong Kong	25,000,000 ordinary shares of HK$1 each	100%
REXCAPITAL Securities Limited	Hong Kong	Securities dealing and margin financing in Hong Kong	150,000,000 ordinary shares of HK$1 each	100%
御泰投資管理(南通)有限公司	PRC	Investment holding in the PRC	HK$30,099,960	90%
Shenzhen Sinodata Technology Co., Ltd.	PRC	Provision of lottery machines and software system in the PRC	RMB35,560,000	45.81%
深圳市思樂數據設備服務有限公司	PRC	Provision of maintenance service for lottery machines in the PRC	RMB2,000,000	45.81%
深圳市金帆軟件技術有限公司	PRC	Production of lottery machines in the PRC	RMB20,000,000	58%
深圳樂利科技發展有限公司	PRC	Investment holding in the PRC	RMB34,006,000	100%
北京戈德利邦科技有限公司	PRC	Development in the technological know-how of lottery machines and transfer of technological know-how and provision of training	RMB48,580,000	70%

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company, which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would in the opinion of the directors result in particulars of excessive length.

22. Statutory deposits

Statutory deposits are the deposits with various exchanges and clearing houses relating to securities and futures dealing businesses.

23. Deferred taxation

The Group

(i) Deferred tax assets recognised

	Tax losses	Impairment loss on loan and other receivables	Fair value adjustments on prepaid lease payments on land use rights and buildings on business combinations	Others	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2005	2,607,430	1,750,000	–	–	4,357,430
Credited to the consolidated income statement	1,082,051	2,170,000	–	–	3,252,051
At 31 December 2005	3,689,481	3,920,000	–	–	7,609,481
Additions through acquisitions of subsidiaries	–	–	(558,538)	(2,435,009)	(2,993,547)
Charged to the consolidated income statement	(2,144,427)	(1,750,000)	–	(3,380,612)	(7,275,039)
As 31 December 2006	1,545,054	2,170,000	(558,538)	(5,815,621)	(2,659,105)

For the purposes of balance sheet presentation, certain deferred tax assets/(liabilities) have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of deferred tax balances shown in the consolidated balance sheet:

	2006	**2005**
	HK$	*HK$*
Deferred tax liabilities	(6,374,159)	–
Deferred tax assets	3,715,054	7,609,481
	(2,659,105)	7,609,481

(ii) Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	2006	**2005**
	HK$	*HK$*
Taxable temporary differences		
– accelerated tax depreciation	(1,995,519)	(157,471)
Deductible temporary differences		
– decelerated tax depreciation	2,896,278	1,007,587
– others	63,634,840	69,505,862
Tax losses	95,422,750	74,649,697
	159,958,349	145,005,675

The deductible temporary differences and tax losses do not expire under current tax legislation.

(i) The deductible temporary differences do not expire under the current tax legislation.

(ii) Tax losses of HK$14,984,385 (2005: Nil) arising from the Group's lottery business in the PRC would expire in the fifth year commencing from the year the loss incurred whereas tax losses of HK$80,438,365 (2005: HK$74,649,697) arising from the Group's other business segments in Hong Kong do not expire under the current tax legislation.

The Company

The Company has no temporary differences as at 31 December 2006 (2005: Nil).

24. Inventories

	2006	**2005**
	HK$	*HK$*
At cost		
Raw materials	33,464,512	–
Work-in-progress	10,432,736	–
Finished goods	11,438,100	–
	55,335,348	–
Less: Write-down of obsolete and slow-moving inventories	(1,766,684)	–
	53,568,664	–

The analysis of the amount of inventories recognised as an expense is as follows:

	2006	**2005**
	HK$	*HK$*
Raw materials consumed	56,005,491	–
Direct labour costs	348,113	–
Production overheads	3,899,946	–
Write down of inventories	1,766,684	–
	62,020,234	–

25. Trade receivables

	The Group	
	2006	**2005**
	HK$	*HK$*
Margin client receivables, net	3,610,414	43,745,417
Other client receivables, net	9,926,168	4,464,569
Broker receivables	5,431,401	386,916
Amounts due from clearing houses	1,357,580	805,322
Loan receivables, net	214,713,230	234,097,149
Loan interest receivables, net	6,709,217	7,518,913
Trade debtors, net	81,353,460	–
	323,101,470	291,018,286

Included in the Group's trade debtors are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	**2005**
	HK$	*HK$*
Indonesian Rapiah	–	3,892,335
Malaysian Ringgits	18,952	3,461
Singapore dollars	1,336	2,957
Renminbi	81,678,874	–

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited (the "SEHK") with a market value of approximately HK$136,737,000 as at 31 December 2006 (2005: HK$94,305,000). No aged analysis is disclosed for margin client receivables as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of other client receivables, broker receivables and amounts due from clearing houses are one to two days after the trade date. The age of these balances is within 30 days.

Included in the above client receivables as at 31 December 2006 are the accounts of associates of certain directors of HK$Nil (2005: approximately HK$8,788,000). The amounts due from the associates are of similar trading terms as the other client receivables. The balance was repaid during the year.

Included in the above loan receivables as at 31 December 2006 is the account of an associate of certain directors of HK$Nil (2005: approximately HK$2,640,000). The amount due from the associate is of similar trading terms as the other loan receivables.

The directors consider that the carrying amount of trade receivables approximate to their fair values.

The remaining maturity and aged analysis of loan receivables and trade debtors as at 31 December 2006 are as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Three months or less	179,657,561	124,089,838
One year or less but over three months	116,409,129	110,007,311
	296,066,690	234,097,149

26. Other receivables

At 31 December 2006, earnest money in an aggregate sum of deposits of HK$40,000,000 were paid to enable the Group to evaluate the possible acquisition of certain equity interests in three companies incorporated and operated in the PRC. The earnest money was refundable to the Group if the Group decides not to proceed with the evaluation.

27. Financial assets at fair value through profit or loss

	The Group	
	2006	**2005**
	HK$	*HK$*
Listed securities held for trading:		
Market value of equity securities		
listed in Hong Kong	20,287,536	13,382,291

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

Changes in fair value of financial assets at fair value through profit or loss are recorded in other gains/(losses) in the income statement *(Note 5)*.

28. Cash and bank balances

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Pledged bank deposit	123,286,616	–	–	–
Cash at banks				
– general accounts	22,555,270	4,995,095	819,579	3,953
– segregated accounts	17,633,045	22,160,817	–	–
Cash in hand	1,392,546	25,411	–	–
	164,867,477	27,181,323	819,579	3,953

The bank deposit of HK$123,286,616 together with all interest accrued thereon has been pledged to a bank by way of fixed charge to secure the banking facilities granted to the Group. The bank deposit carries interest at prevailing market rate per annum and has maturity of 10 months.

The pledged bank deposit was released after repayment of the secured loan after year end.

Included in the Group's cash and bank balances are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	**2005**
	HK$	*HK$*
Japanese yen	62,000	162,000
US dollars	1,580	39,668
Singapore dollars	–	1,560
Malaysian Ringgits	–	60,964
Renminbi	14,065,039	–

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	The Group		**The Company**	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Cash in hand	1,392,546	25,411	–	–
Cash at banks				
– general accounts	22,555,270	4,995,095	819,579	3,953
Bank overdrafts *(Note 33)*	(497,167)	(204,579,437)	–	(9,426,696)
	23,450,649	(199,558,931)	819,579	(9,422,743)

29. Share capital

	Notes	Number of shares	Amount *HK$*
Ordinary shares of HK$0.01 each			
Authorized:			
At 1 January 2005, 31 December 2005 and at 31 December 2006		20,000,000,000	200,000,000
Issued and fully paid:			
At 1 January 2005 and 31 December 2005		3,000,000,000	30,000,000
Issue of subscription shares	*(a)*	1,200,000,000	12,000,000
Exercise of share options	*(b),(c),(f),(g),(h)*	247,000,000	2,470,000
Issue of consideration shares	*(d)*	740,000,000	7,400,000
Issue of top up shares	*(e)*	730,000,000	7,300,000
At 31 December 2006		5,917,000,000	59,170,000

Notes:

(a) On 4 April 2006 and 12 July 2006, 600,000,000 shares and 600,000,000 shares respectively of HK$0.01 each were issued by way of subscription at a subscription price of HK$0.20 each pursuant to a subscription agreement dated 23 March 2006. The gross proceeds of HK$240,000,000 were raised for strengthening the funding support and capital base of the Company.

(b) In May 2006, 36,000,000 share options were exercised at an exercise price of HK$0.138 each, resulting in an issue of 36,000,000 shares, for a total consideration (before expenses) of HK$4,968,000. In addition, 20,000,000 share options were exercised at an exercise price of HK$0.102 each, resulting in an issue of 20,000,000 of HK$0.01 each for a total consideration (before expenses) of HK$2,040,000.

(c) In July 2006, 10,000,000 share options were exercised at an exercise price of HK$0.102 each, resulting in an issue of 10,000,000 shares for a total consideration (before expenses) of HK$1,020,000.

(d) On 7 July 2006, 500,000,000 consideration shares of HK$0.01 each were issued at a price of HK$0.15 each to an independent third party. On 20 November 2006, 240,000,000 consideration shares of HK$0.01 each were issued at a price of HK$0.37 each to independent third parties. The value of shares issued in the above two transactions of HK$75,000,000 and HK$88,800,000 respectively were to settle part of the considerations of two acquisitions of lottery game business as mentioned in note 39.

(e) On 11 August 2006, pursuant to the subscription agreement, the Company allotted and issued 730,000,000 ordinary shares of HK$0.01 each to Kingly Profits Corporation at a price of HK$0.35 each. HK$68 million out of the total subscription proceeds of approximately HK$250 million has been applied for payment of the acquisition of entire issue share capital of Happy Sun Technologies Ltd. *(Note 39)* and the remaining balance of the proceeds would be used for general working capital of the Group.

(f) In September 2006, 10,000,000 share options were exercised at an exercise price of HK$0.138 each resulting in an issue of 10,000,000 shares for a total consideration (before expenses) of HK$1,380,000. In addition 150,000,000 share options were exercised at an exercise price of HK$0.102 each, resulting in an issue of 150,000,000 shares for a total consideration (before expenses) of HK$15,300,000.

(g) In November 2006, 10,000,000 share options and 5,000,000 share options respectively were exercised at an exercise price of HK$0.138 each and HK$0.295 each respectively, resulting in the issue of 10,000,000 shares and 5,000,000 shares respectively for a total consideration (before expenses) of HK$1,380,000 and HK$1,475,000 respectively.

(h) In December 2006, 6,000,000 share options were exercised at an exercise price of HK$0.138 each, resulting in an issue of 6,000,000 shares for a total consideration (before expenses) of HK$828,000.

30. Share option scheme

The Group's share option scheme was adopted by the Group on 22 November 2002 (the "Scheme") for the purpose of enabling the Group to grant share options to executives and employees of the Group and other persons who have made contributions to the Group as incentives and/or rewards for their contributions to the Group or its subsidiaries.

According to the Scheme, the Board may grant share options to the eligible participants as defined in the Scheme to subscribe for such number of shares as the Board may determine. Share options granted should be accepted within 30 days from the date of offer. Upon acceptance of the share options, the grantee shall pay HK$1.00 to the Group by way of consideration for the grant.

The exercise price of share options shall be determined by the Board, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option scheme(s) of the Group must not exceed 10% of the issued share capital of the Group on the date of approval and adoption of the Scheme provided that the Group may at any time seek approval from its shareholders to refresh the limit to 10% of the shares in issue as at the date of approval by the shareholders in general meeting where such limit is refreshed. Share options previously granted under any share option scheme(s) of the Group (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised share options) will not be counted for the purpose of calculating the limit as refreshed.

The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Scheme and any other share option scheme(s) of the Group (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Share options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Group's issued share capital on the date of grant or with a value in excess of HK$5 million must be approved in advance by the Group's shareholders.

The period during which share options may be exercised will be determined by the Board at its absolute discretion, save that no share options can be exercised more than 10 years after they have been granted. There is no general requirement that share options must be held for any minimum period before they can be exercised. The Scheme will expire on 22 November 2012.

The following table discloses movements in the Share Option Scheme:

During the year ended 31 December 2005:

Grantees	Date of grant	Exercise price per share *HK$*	Exercisable period	Number of share options: Outstanding at 01.01.2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2005
Employees	03.01.2004	0.138	03.01.2004-02.01.2014	60,000,000	–	–	(30,000,000)	30,000,000
	26.10.2005	0.102	26.10.2005-25.10.2015	–	30,000,000	–	–	30,000,000
Other eligible participants	03.01.2004	0.138	03.01.2004-02.01.2014	60,000,000	–	–	–	60,000,000
	26.10.2005	0.102	26.10.2005-25.10.2015	–	180,000,000	–	–	180,000,000
				120,000,000	210,000,000	–	(30,000,000)	300,000,000

During the year ended 31 December 2006:

Grantees	Date of offer to grant options	Exercise price per share *HK$*	Exercisable period	Number of share options: Outstanding at 01.01.2006	Granted during the year *Note (1)*	Exercised during the year *Note (2)*	Lapsed during the year	Outstanding at 31.12.2006
Employees	11.12.2003	0.138	03.01.2004-02.01.2014	30,000,000	–	(30,000,000)	–	–
	26.09.2005	0.102	26.10.2005-25.10.2015	30,000,000	–	–	–	30,000,000
	06.07.2006	0.295	13.07.2006-12.07.2011	–	78,000,000	(5,000,000)	–	73,000,000
Other eligible participants	11.12.2003	0.138	03.01.2004-02.01.2014	60,000,000	–	(32,000,000)	–	28,000,000
	26.09.2005	0.102	26.10.2005-25.10.2015	180,000,000	–	(180,000,000)	–	–
	06.07.2006	0.295	13.07.2006-12.07.2011	–	78,000,000	–	–	78,000,000
				300,000,000	156,000,000	(247,000,000)	–	209,000,000

Notes:

(1) The closing price of the share immediately before the date of grant on 6 July 2006 was HK$0.305.

(2)

Exercise price per share *HK$*	Exercise date	Number of share exercised	Closing price immediately before exercised date *HK$*
0.138	04.05.2006	10,000,000	0.435
	10.05.2006	7,000,000	0.375
	23.05.2006	19,000,000	0.255
	01.09.2006	10,000,000	0.375
	10.11.2006	10,000,000	0.480
	29.12.2006	6,000,000	0.475
		62,000,000	
0.102	16.05.2006	10,000,000	0.380
	22.05.2006	10,000,000	0.290
	03.07.2006	10,000,000	0.290
	06.09.2006	60,000,000	0.400
	13.09.2006	90,000,000	0.375
		180,000,000	
0.295	10.11.2006	5,000,000	0.480

(3) No option was cancelled during the year.

During the year, 156,000,000 (2005: 210,000,000) share options were granted under the share option scheme to grantees for an aggregate consideration of HK$6 (2005: HK$7).

The exercise in full of the outstanding 209,000,000 share options at 31 December 2006 would, under the present capital structure of the Company, result in the issue of 209,000,000 additional shares for a total cash consideration, before expenses, of approximately HK$51,469,000.

During the year ended 31 December 2006, options were granted on 6 July 2006 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK$7,277,000. In applying HKFRS 2, the Group recognised these fair values as expense for the year ended 31 December 2006. The Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions.

The fair value is calculated using the Black-Scholes pricing model. The weighted average inputs into the model were as follows:

	Share options granted on	
	Date of offer to grant options	Date of grant
	06.07.2006	26.10.2005
Share price	HK$0.295	HK$0.102
Exercise price	HK$0.295	HK$0.102
Expected volatility	77.22%	80%
Expected option life (in years)	0.3	1.05
Risk-free-rate	4.12	3.81
Expected dividends	0%	0%

The expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on the managements estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expenses of HK$7,277,000 for the year ended 31 December 2006 (2005: HK$7,040,000) in relation to share options granted by the Company, of which HK$3,638,500 (2005: HK$1,005,715) are recorded in staff costs.

31. Trade payables

	The Group	
	2006	**2005**
	HK$	*HK$*
Margin client payables	7,303,213	6,056,484
Other client payables	17,117,097	18,506,721
Trade payables	16,888,499	–
	41,308,809	24,563,205

Included in the Group's trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	**2005**
Indonesian Rapiah	–	3,892,335
Malaysian Ringgits	–	59,095
Singapore dollars	–	2,807
Renminbi	16,956,053	–

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed for margin client payables and other client payables as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The directors consider that the carrying amount of trade and other payables approximate to their fair values.

The aged analysis of the Group's trade payables as at 31 December 2006 are as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Three months or less	9,624,928	–
One year or less but over three months	7,263,571	–
	16,888,499	–

32. Reserves of the company

	Capital reserve *HK$*	Accumulated losses *HK$*	Contributed surplus *HK$*	Share premium *HK$*	Total *HK$*
At 1 January 2005	–	(29,872,714)	199,604,530	–	169,731,816
Loss for the year	–	(92,267,886)	–	–	(92,267,886)
Recognition of share option benefits at fair value	7,040,000	–	–	–	7,040,000
At 31 December 2005	7,040,000	(122,140,600)	199,604,530	–	84,503,930
Recognition of share option benefits at fair value	7,277,000	–	–	–	7,277,000
Issue of new shares	–	–	–	658,521,000	658,521,000
Transaction costs attributable to issue of new shares	–	–	–	(7,977,552)	(7,977,552)
Transfer on exercise of share options	(6,267,523)	–	–	6,267,523	–
Loss for the year	–	(14,393,862)	–	–	(14,393,862)
At 31 December 2006	8,049,477	(136,534,462)	199,604,530	656,810,971	727,930,516

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at the balance sheet date were as follows:

	2006	**2005**
	HK$	*HK$*
Contributed surplus	199,604,530	199,604,530
Accumulated losses	(136,534,462)	(122,140,600)
	63,070,068	77,463,930

33. Bank borrowings

	The Group		**The Company**	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Bank overdrafts				
– secured *(Note 28)*	497,167	195,152,741	–	–
– unsecured *(Note 28)*	–	9,426,696	–	9,426,696
Bank loans				
– secured	137,946,904	1,000,000	–	–
	138,444,071	205,579,437	–	9,426,696

The bank loans and overdrafts are repayable within one year or when the facility is withdrawn. These borrowings are used to finance the financing business of the Group.

At 31 December 2006, the Group's bank borrowings were secured by:

(a) corporate guarantees from the Company;

(b) marketable securities of the Group; and

(c) marketable securities of the Group's client.

Bank borrowings HK$13,695,828 are secured on the deposits for acquisition of leasehold land use rights and buildings of HK$23,499,671 (2005: NIL) *(Note 20).*

The effective interest rates on the Group's borrowings are also equal to contracted interest rates.

The directors consider that the fair values of bank borrowings at the balance sheet date approximate to their carrying amounts.

The maturity of borrowings is as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Within one year	125,667,366	205,579,437
Between one and two years	1,125,275	–
Between two and five years	4,369,286	–
Wholly repayable with five years	131,161,927	205,579,437
Over five years	7,282,144	–
	138,444,071	205,579,437

The effective interest rate for bank overdrafts carries interest at either HIBOR or Prime rate (2005: HIBOR or Prime rate). The effective interest rate for bank loans are ranging from 5.76% to 6.84% per annum (2005: HIBOR plus a spread).

Included in the bank borrowings as at 31 December 2006 was a secured loan of RMB123,000,000 (equivalent to HK$122,509,000), which has been repaid subsequently after year end.

34. Retirement benefit scheme

(a) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant PRC regulations, the PRC subsidiaries are required to make contributions to defined contribution retirement schemes organised by the relevant Social Security Bureau in respect of the retirement benefits for the PRC subsidiaries' employees in the PRC.

(b) Employee entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

35. Financial guarantees issued

The Group

At 31 December 2006, the Group has not given any significant financial guarantees (2005: Nil).

The Company

The Company has issued unlimited corporate guarantees to banks to secure general facilities granted to two subsidiaries. The facilities utilised by the subsidiaries as at 31 December 2006 amounted to approximately HK$137,000,000 (2005: HK$196,000,000). The Company has not recognised any deferred income and the related expense in respect of such guarantees, as in the opinion of the directors, their fair value cannot be reliably measured and their transaction price was nil.

The directors consider that the subsidiaries are financially resourceful in settling the obligations.

36. Commitments

The Group

At 31 December 2006, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	2006	**2005**
	HK$	*HK$*
Land and buildings		
Within one year	5,691,204	5,688,886
In the second to fifth year inclusive	4,109,383	6,591,999
	9,800,587	12,280,885

The Group leases office premises under operating leases. The leases run for an initial period of one to six years. The leases do not include any contingent rentals.

The Company

At 31 December 2006, the Company did not have any commitments under non-cancellable operating leases (2005: Nil).

Other than the operating lease commitments, the Group and the Company did not have any other capital commitments as at 31 December 2006 (2005: Nil).

37. Transactions with related parties

(a) Details of the Group's significant transactions with the following related parties during the year are as follows:

	2006	2005
	HK$	*HK$*
Associates of directors:		
Commission and interest income arising from futures and securities trading	1,050,000	1,048,000

In the opinion of the directors, including the independent non-executive directors, the above transactions were entered into in the Group's ordinary course of business and at terms agreed by both parties.

(b) During both years, compensation of key management personnel represents directors' remuneration, as stated in note 10. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

38. Post balance sheet events

On 19 March 2007, the Company entered into a purchase agreement with an independent third party, Excellot Assets Management Limited ("EA"), to acquire the entire interest in the share capital of Global Union Group Limited ("Global Union") and the shareholder's loan due from Global Union to the vendor at a consideration of HK$119,487,500. The consideration has to be satisfied as to HK$12,825,000 in cash and as to HK$106,662,500 from issue of 152,375,000 ordinary shares of the Company at a price of HK$0.7 per share to EA or its nominees. Global Union indirectly holds approximately 9.62% of the registered capital of Shenzhen Sinodata Technology Co., Ltd. ("Sinodata"), an existing subsidiary of the Group.

On the same date, the Company entered into another purchase agreement with independent third parties, Sino Gateway International Limited ("Sino Gateway") to acquire the entire interest in the share capital of Huge Rich Enterprises Limited ("Huge Rich") and the shareholder's loan due from Huge Rich to Sino Gateway International Limited at a consideration of HK$115,762,500. The consideration has to be satisfied as to HK$12,425,000 in cash and as to HK$103,337,500 by issue of 147,625,000 ordinary shares of the Company at a price of HK$0.7 per share to Sino Gateway or its nominees. Huge Rich indirectly holds approximately 9.32% of the registered capital of Sinodata.

Upon completion of the acquisitions as stated above, the Group, together with its existing interests in Sinodata, will in aggregate hold approximately 65% in the registered capital of Sinodata indirectly.

39. Acquisition of lottery business

(i) Acquisition of Multi Glory Limited ("Multi Glory")

On 15 March 2006, the Company entered into a share purchase agreement to acquire the entire issued share capital of Multi Glory for a consideration of HK$227,800,000. Upon completion of the acquisition on 7 July 2006, the Group through the subsidiaries of Multi Glory involves in development and production of proprietary lottery machines, related operating software system and networks for welfare lottery industry in China.

(ii) Acquisition of Happy Sun Technologies Ltd. ("Happy Sun")

On 25 July 2006, the Company entered into a share purchase agreement with Gain Silver International Limited ("Gain Silver"), an independent third party, to acquire the entire issued share capital of Happy Sun and the shareholder's loan due by Happy Sun to Gain Silver for a consideration of HK$157,040,000. Upon completion of the acquisition on 20 November 2006, the Group through the subsidiaries of Happy Sun involves in provision of systems and verification technology for Instant Lottery Games in China administered by the China Welfare Lottery Administrative Center.

(iii) Acquisition of Pentium Win Limited ("Pentium")

On 8 August 2006, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Grand Langley Limited, an independent third party, to acquire the entire issued share capital of Pentium together with the loan due from Pentium to Grand for a consideration of HK$29,000,000. Upon completion of the acquisition, the Group through the subsidiaries of Pentium involves in the sports lottery industry in the PRC. 深圳市金帆軟件技術有限公司 is one of the approved vendors for the development and production of sports lottery machines by China Sports Lottery Administration Center and has already contracted to supply sports lottery machines for certain province/cities in the PRC.

The above acquired businesses contributed revenue of approximately HK$115,043,000 and net profit for the year of approximately HK$34,149,000 to the Group. If the above acquired businesses had occurred on 1 January 2006, the Group's turnover would have been approximately HK$268,221,000 and net profit tax the year would have been approximately HK$44,587,000.

Details of the assets and liabilities acquired are as follows:

	Acquirees' carrying amount
	HK$
Assets/(liabilities) acquired	
Property, plant and equipment	36,207,435
Prepaid lease payments on land use rights	2,317,560
Intangible assets	12,187,490
Inventories	70,853,622
Trade receivables	18,401,580
Other receivables	46,195,124
Cash and bank balances	34,686,223
Deferred tax liabilities	(28,097,762)
Trade payables	(36,566,965)
Other liabilities	(1,633,173)
Current tax liabilities	(2,435,009)
Bank borrowings	(119,925,847)
Minority interests	(88,660,992)
	(56,470,714)
Fair value adjustment	1,294,263
	(55,176,451)
Goodwill on acquisition	375,555,844
Consideration payable and related expenses after deducting bank borrowings of the acquirees assured by the acquirers	320,379,393
Total purchase consideration and related expenses satisfied by:	
Cash paid	156,579,393
Issue of consideration shares	163,800,000
	320,379,393
Net cash outflow in respect of the acquisition is analysed as follows:	
Cash and bank balances	34,686,223
Cash paid	(156,579,393)
Cash outflow of acquisition	(121,893,170)

3. BUSINESS REVIEW OF THE GROUP

Set out below are the management discussion and analysis of the Group for the years ended 31 December 2006, 31 December 2005 and 31 December 2004.

For the year ended 31 December 2006

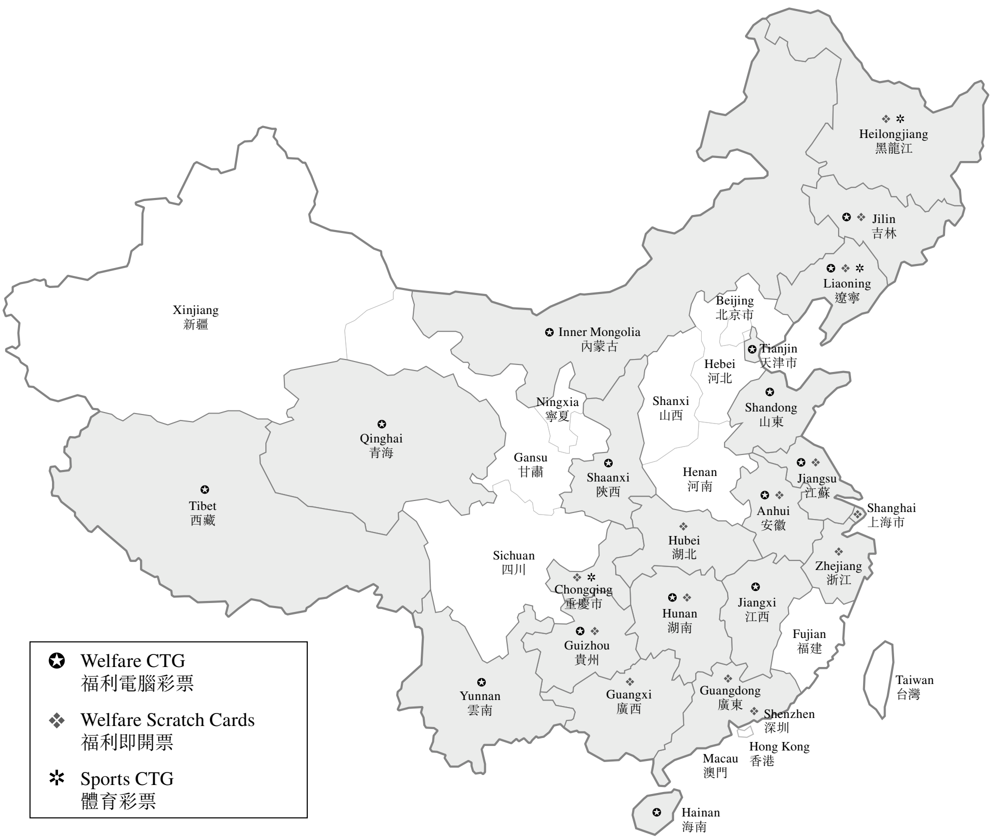
Business Review and Prospects

Year 2006 has been a year of tremendous development for our Group in that we have successfully expanded our business activities from financial and brokerage into the expanding lottery market in China.

In mid 2006, the Group successfully acquired a 45.81% interest in Shenzhen Sinodata Technology Co Ltd ("Sinodata"). Sinodata is engaged in the development and production of proprietary lottery machines, related operations software system and networks for the welfare lottery industry in China. In late 2006, the Group also completed the acquisitions of a 70% stake in Beijing Guard Libang Technology Co Ltd ("Guard Libang") and a 58% stake in Shenzhen Kingsail Software Tech Co Ltd ("Kingsail"). Guard Libang is one of the leaders in the instant lottery industry in China. Kingsail is one of the approved vendors for the development and production of sports lottery machine by China Sports Lottery Administration Center.

With these acquisitions and the subsequent further expansion into new provinces, the Group now has one of the largest franchise in the lottery market in China and has operations covering multiple provinces and municipalities in China which have an addressable populations of over 900 million. It is our belief that lottery products are part of the consumer products for the mid and low income groups in China. In light of the continuing growth in GDP of China and the accompanying increase in disposable income of the Chinese people and the filtering through of the "wealth effect" from the coastal regions of China into the inland provinces, we are of the view that the lottery market in China will enjoy a period of continued sustainable growth going forward and given our Group's franchise in China, we also believe that our Group will be able to benefit from this continuing growth trend.

Geographical coverage of our lottery business



Welfare Lottery

The Group has a substantial participation in the Welfare Lottery Computer Ticket Games ("Welfare CTG") business through its subsidiary Sinodata. Our Group's Welfare CTG business involves the provision of operating system, hardware, maintenance and development for Welfare CTG games for the China Welfare Lottery. In 2006, the sales of Welfare CTG games achieved a new record high of approximately RMB44 billion, which accounted for approximately 90% of the total sales of the China Welfare Lottery. Given the already substantial and more established base for the Welfare CTG business, we believe that the Welfare CTG market will enjoy a period of stable, sustainable and continuing growth for the coming years which is likely to track the growth in disposable income for China.

Our Welfare CTG business covered 13 provinces in China in 2006 (which has since been further increased as more provinces have been added after the end of the financial year out of which approximately 50% of the provinces covered is on a revenue sharing basis). Currently, it has deployed over 40,000 lottery machines in China. Our Group is the largest provider for the Welfare CTG business in China in 2006 commanding approximately 50% market share.

Furthermore, the Group's initiative in Welfare CTG games development has also achieved significant breakthrough in that our High Frequency 2D game will be officially rolled out in the third quarter of 2007 after our successful completion of the testing and review by various regulatory authorities in China. Our income from the provision of games is on a revenue sharing basis.

The Group is also actively involved in the Instant Lottery business for Welfare Lottery (Scratch Cards) in China ("SC business") through our subsidiary Guard Libang. In the SC business, the Group provides games, system software and hardware, verifications and anti-counterfeiting technologies as well as logistical tracking systems to the Instant Ticket Games for Welfare Lottery based on the approved proprietary and patented technology of Guard Libang. Guard Libang is the sole system provider to the SC business in China Welfare Lottery. Our SC business covers 14 provinces and we plan to further expand our coverage in SC business by expanding into more provinces in China. Our Group's revenue from the SC business is based on a revenue sharing model.

Instant Ticket Games have seen its fair share of ups and downs in the past and has, in our view, rejuvenated after the re-launch of the SC business in 2005 with improved anti-counterfeiting measures and more efficient system and distribution support. With the implementation of the 2D bar code verification system and the logistical tracking system, the SC business has gradually regained confidence and popularities with the general public in China which led to a speedy recovery in its sales. In 2005, SC games generated approximately RMB100 million in ticket sales and the figure has already exceeded RMB500 million in 2006. We are very much encouraged by the growth of the SC business in 2006 (i.e. a growth of approximately 500% in a year). We are committed to further developing the SC business in China in 2007 and beyond and we believe that substantial growth opportunities still lie ahead in the coming years.

Sports Lottery

Through our subsidiary Kingsail, our Group is one of the 7 licensed providers to the China Sports Lottery Computer Ticket Games ("Sports CTG"). At the end of 2006, our Group has already won contracts to supply Sports CTG to 2 provinces in China and since then a further province has been added to the list in 2007. Looking into 2007, more provinces will be inviting tender for their Sports CTG systems and our Group will continue its efforts to increase our participations in the Sports CTG market. Since the acquisition of Kingsail was only completed in late December 2006, the results of Kingsail have not been included in the results of the Group for the year ended 31 December 2006.

The results of the lottery business was encouraging. The post-acquisition turnover of the lottery business was approximately HK$115,043,000, representing 66% of the total turnover. Profit arising from this segment amounted to approximately HK$39,676,000.

Money Lending

Interest income from money lending decreased slightly by 16% to HK$10,943,000 (2005: HK$13,071,000). The Group will continue to adopt strict credit monitoring measures on loan lending.

Investment Trading and Holding

In view of huge activities in the capital market and buoyant IPO activities during the year, turnover increased to HK$29,790,000 and the segment profit was HK$21,097,000 which included the unrealized profit on securities amounted to HK$15,412,000. The Group is optimistic to see income generated from this business segment.

Financial Services

Notwithstanding a surge of securities trading volume on the Stock Exchange that the average daily turnover increased from HK$18.3 billion in 2005 to HK$33.9 billion in 2006, the performance of the Group's broking business and asset management business was affected by increase in interest rate and operating costs as well as keen competition in the industry, including securities trading services offered by retail banks. Turnover of the Group's financial services decreased by 35% to HK$18,107,000, representing 10% of the total turnover.

Looking Ahead

According to the Ministry of Finance People's Republic of China, the annual sales of lotteries amounted to RMB81.9 billion in 2006. The sales of Welfare Lottery was RMB49 billion in 2006, representing an increase of 20% from 2005, on the other hand, the sales of Sports Lottery increased by RMB2.1 billion to RMB32.3 billion in 2006. According to the Development Research Center of State Council PR China, total lottery revenues in China are forecast to reach RMB100 billion in 2007. We are optimistic about the prospect of the lottery market in China in the coming year. Together with the determination of the Chinese government to clamp down on illegal gambling, the Group believes that there will be a huge growth potential in the lottery market in China. We will continue to identify appropriate investment opportunities to enhance the Group's revenue base and profitability.

Subsequent to the year end in March 2007, the Group entered into two agreements to further acquire an aggregate of 18.94% interest in Sinodata for a total consideration of HK$235,250,000. Upon completion of the acquisitions, its shareholding in Sinodata will increase to approximately 65%. Details of the transactions are set out in the Company's announcement dated 22 March 2007.

In April 2007, the Group further extended its market reach to more provinces in the lottery market in China. Sinodata was awarded the contract to provide lottery system software and machines for Xizang (Tibet Autonomous Region) Welfare Lottery Issuance Centre for its Welfare CTG games, while Kingsail secured contract with Sports Lottery Issuance Centre in Liaoning to supply Sports CTG terminals.

During the year, the Group has been proactively identifying suitable investment opportunities in order to enhance the Group's income base and profitability. The Group will continue to focus on lottery-related businesses in China and put in more resources to offer more comprehensive and quality services to the lottery market with a view to enriching its business portfolio and bringing long-term stable returns to our shareholders.

Financial Review

Result

For the year ended 31 December 2006, the Group recorded a turnover of HK$173,883,000 (2005: HK$41,938,000), representing an increase of 315% over the last year. The increase was mainly attributable to the Group's lottery business in China which achieved a turnover of HK$115,043,000 (represented a partial year impact on turnover after the completion of the respective acquisition in July 2006) and also partly due to the growth in investment trading and holdings activities. Turnover from the trading of listed securities increased to HK$29,137,000 for the year ended 31 December 2006 (2005: HK$617,000).

Profit attributable to shareholders for the year was HK$11,170,000 (2005: loss of HK$50,700,000). The earnings per share was 0.26 cents (2005: loss per share of 1.69 cents). Fully diluted earnings per share was 0.25 cents (2005: Nil).

Liquidity, Financial Resources and Funding

At 31 December 2006, the Group's total equity amounted to HK$930,044,000 as compared to HK$114,572,000 at the end of the previous year. The net increase in equity was mainly attributed to the completion of the capital raising exercises by the Company during the year. The proceeds from the capital raising exercises were mainly used to finance the acquisition of the lottery business in China and to strengthen the working capital base of the Group.

At 31 December 2006, the Group had cash reserves of approximately HK$164,867,000 (2005: HK$27,181,000), which include approximately HK$17,633,000 (2005: HK$22,161,000) of clients' funds that were kept in designated segregated bank accounts.

The gearing ratio as at 31 December 2006 was 14.89% (2005: 179%). 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 341% (2005: 142%).

The Group had outstanding bank borrowings as at 31 December 2006 of HK$138,444,000 (2005: HK$205,579,000). The bank borrowings were denominated in Hong Kong dollars and Renminbi and interest bearing at prevailing commercial lending rates. The Group's bank deposit of HK$123,304,000 and listed investments belonging to clients were pledged to secure these bank borrowings which were used to finance the Group's operations. We expect that all these borrowings will be repaid by internal generated funds. Subsequently after the year end, the secured loan of HK$122,509,000 has been repaid.

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 2006, the Group's bank deposit of HK$123,304,000 and listed investments belonging to clients and the Group with total market value of approximately HK$21,871,000 and HK$nil respectively (2005: HK$89,042,000 and HK$13,348,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group. Subsequently after the year end, the charge on the pledged deposit has been released as a result of repayment of certain bank borrowings after year end.

Share Capital

During the year, the Company issued 1,200,000,000 new shares of HK$0.01 each at a price of HK$0.2 per share pursuant to a subscription agreement dated 23 March 2006. Details of which are set out in the circular of the Company dated 12 June 2006. 730,000,000 new shares of HK$0.01 each were issued at a price of HK$0.35 per share pursuant to a subscription agreement dated 1 August 2006 as amended by a supplemental agreement dated 2 August 2006.

Pursuant to the share purchase agreement dated 15 March 2006, 500,000,000 new shares of HK$0.01 each were issued by the Company in July 2006 at a price of HK$0.15 per share to satisfy part of the consideration for the acquisition of the entire issued share capital of Multi Glory Limited. Details of the acquisition are set out in the Company's circular dated 12 June 2006.

Pursuant to the share purchase agreement dated 25 July 2006, 240,000,000 new shares of HK$0.01 each were issued by the Company in November 2006 at a price of HK$0.37 per share to satisfy part of the consideration for the acquisition of the entire issued share capital of Happy Sun Technologies Ltd. Details of the acquisition are set out in the Company's circular dated 18 August 2006.

247,000,000 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 the above, there was no change in the Company's capital structure during the year ended 31 December 2006.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

Exchange Rate Risk

All the Group's assets, liabilities and transactions are 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.

Contingent Liabilities

The Group has no significant contingent liabilities as at 31 December 2006.

Material Acquisitions and Disposals of Subsidiaries

On 15 March 2006, the Group entered into a share purchase agreement with Magic Dynasty Limited under which the Group agreed to acquire the entire issued share capital of Multi Glory Limited, a company which was holding an indirect interest in 45.436% of the registered capital of Sinodata. The consideration payable for the acquisition is HK$227,880,000 which is to be satisfied as to HK$152,880,000 in cash and as to HK$75,000,000 by the issue of 500,000,000 consideration shares at a price of HK$0.15 per share. Details of the acquisition are set out in the Company's circular dated 12 June 2006. The transaction has been completed in July 2006.

On 25 July 2006, the Group entered into a share purchase agreement with Gain Silver International Limited under which the Group agreed to acquire the entire share capital of Happy Sun Technologies Ltd which, upon completion, will indirectly own 70% of Guard Libang. The consideration payable for the acquisition is HK$157,040,000 which is to be satisfied as to HK$68,240,000 in cash and as to HK$88,800,000 by the issue of 240,000,000 consideration shares at a price of HK$0.37 per share. Details of the acquisition are set out in the Company's circular dated 18 August 2006. The transaction has been completed in November 2006.

On 8 August 2006, the Group entered into a sale and purchase agreement with Grand Langley Limited for the acquisition of the entire issued share capital of Pentium Win Limited at the consideration of HK$29,000,000. Upon completion of the transaction, Pentium Win Limited shall be indirectly interested in 58% of the registered capital of Kingsail. Details of the acquisition are set out in the Company's announcement dated 9 August 2006. The transaction has been completed in December 2006.

Apart from the above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2006.

Human Resources

As at 31 December 2006, the Group had 406 employees (2005: 24).

The increase in number of employees is due to the acquisition of PRC lottery business during 2006.

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's performance.

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

Properties Valuation

The carrying value of the properties held and occupied by the Group as at 31 December 2006 was HK$9.5 million (equivalent to approximately RMB9.4 million). As there was an appreciation in value of RMB1.5 million, the market value of the properties held and occupied by the Group as at 31 May 2007 as assessed by the valuer shown in the valuation report set out in Appendix IV to the circular was RMB10.9 million.

During the period from 31 December 2006 to 31 May 2007, the Group did not have any acquisition nor disposal of properties.

For the year ended 31 December 2005

Business Review and Prospects

During the year, the Group was principally engaged in the provision of financial services, including money lending, investment trading and holding, broking, securities margin financing and asset management. In order to diversify business, the Group had also explored investment opportunities in China and other Asian areas.

Money Lending

Interest income from money lending accounted for 31% (2004: 12%) of the Group's turnover. The Group recorded a loss due to the prudent approach towards provision concerning money lending business. The Group will continue to adopt a prudent and conservative financing policy and stringent control on loan lending.

Investment Trading and Holding

Hong Kong experienced a static investment environment in the first half of 2005, dampened by rising interest rates and oil prices. The Group has slowed down its investment trading activities. The unrealized loss on securities amounted to HK$6,536,000. Nevertheless, market sentiment recovered stably in the second half. The Group is optimistic to see improvement in this business segment.

Broking and Securities Margin Financing

Turnover of the local stock market in 2005 grew by 13.7% as compared with 2004, reaching a record market turnover of HK$4,520.4 billion. However, the Group's performance in this segment was affected by keen competition in the industry as well as a sharp rise in rental and other operating costs. The Group made a strategic decision to close down two branches during the year. Turnover of the Group's broking business decreased 60% to HK$12,778,000, representing 30% of the total turnover. Turnover of the Group's securities margin financing business decreased 35% to HK$14,270,000 representing 34% of the total turnover.

Asset Management

Turnover from this segment accounted for 3% of the Group's total turnover. In line with the successful launch of several large-scale H-share IPOs and the first REIT, The Link, the Group's asset management business achieved solid investment returns during the year. In order to meet the investment interests of our clients, the Group terminated one of the funds during the year. Cited by inflow of funds (especially renowned hedge funds) in the local market, the growth momentum of this segment remains strong. Our investment team will continue to provide personalized and tailor-made services for our clients.

Looking Ahead

The Group has been streamlining the operation and identifying suitable opportunities to enrich its business portfolio.

Subsequent to the year end in March 2006, the Group entered into an agreement to acquire Multi Glory Limited, which will hold a controlling stake in Shenzhen Sinodata Technology Co., Ltd. ("Sinodata"), for a total consideration of HK$227,880,000. Sinodata is one of the largest computer ticket lottery system and machine providers in China. Details of this transaction are set out in the Company's announcement dated 22 March 2006.

The acquisition will position the Group to capture the high growth potentials of this emerging market and strengthen the long-term profitability. The Group will keep on identifying potential investment opportunities, with a view to bring long-term favourable returns to our shareholders.

Financial Review

Result

For the year ended 31 December 2005, the Group recorded a turnover of HK$41,938,000 (2004: HK$169,137,000), representing a decrease of 75%. The decrease in turnover was mainly due to the decrease in contribution from investment trading and holding activities. Turnover of this segment decreased by 99% to HK$617,000 for the year ended 31 December 2005 in comparison with last year (2004: HK$91,955,000) as a result of a static investment environment in 2005, dampened by rising interest rate and oil prices, the Group has slow down its investment trading activities.

Loss for the year was HK$50,700,000 (2004: loss of HK$77,674,000), representing a decrease of 35%. The loss per share was 1.69 cents (2004: 2.59 cents). The loss was improved as the Group imposed a strict control on securities margin financing and money lending sectors.

Liquidity, Financial Resources and Funding

At 31 December 2005, the Group had net current assets of HK$99,691,000 (2004: HK$145,384,000). The net decrease in net current assets was attributable to the decreased in trade receivable and client's fund that kept in designated segregated bank accounts.

At 31 December 2005, the Group had cash reserves of approximately HK$27,181,000 (2004: HK$73,928,000), which include approximately HK$22,161,000 (2004: HK$65,342,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio as at 31 December 2005 was 179% (2004: 130%). 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 142% (2004: 150%).

The Group had outstanding bank overdrafts of approximately HK$205,579,000 as at 31 December 2005 (2004: HK$205,678,000). The bank overdrafts were denominated in Hong Kong dollars and interest bearing at prevailing commercial lending rates. Listed investments belonging to clients and the Group were pledged to secure these bank overdrafts. These loans and overdrafts were used to finance the Group's operations. 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 2005, listed investments belonging to clients and the Group with total market value of approximately HK$89,042,000 and HK$13,348,000 respectively (2004: HK$305,074,000 and HK$22,859,000 respectively) were pledged to banks to secure overdraft facilities granted to the Group.

Capital Structure

There was no change in the Company's capital structure during the year ended 31 December 2005.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

Exchange Rate Risk

All the Group's assets, liabilities and transactions are denominated in Hong Kong dollar. 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.

Contingent Liabilities

The Group has no significant contingent liabilities as at 31 December 2005.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2005.

Human Resources

As at 31 December 2005, the Group had 24 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's performance.

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

For the year ended 31 December 2004

Business Review and Prospects

During the year, the Group leveraged its expertise and track record and continued to principally engage in the provision of financial services including money lending, investment trading and holding, broking, securities margin financing, corporate finance and asset management.

Money Lending

During the year, interest income from money lending represented 12% (2003: 5%) of the Group's turnover. The Group recorded a loss due to the prudent approach towards provision concerning money lending business. The Group will continue to adopt a prudent approach to monitor and control our Group's risk exposure.

Investment Trading and Holding

Turnover reached HK$92,000,000, accounting for 54% of the Group's turnover. We will continue to invest in this area with a view to ensuring it becoming one of our major lines of businesses.

Asset Management and Advisory Fee Income

Hong Kong is a major asset management centre in Asia. In 2003, total assets of fund management business in Hong Kong amounted to HK$2,950 billion, of which HK$1,860 billion were sourced from overseas investors and accounted for 63% of the total. More institutional investors and individual investors recognize the comprehensive array of asset management products and services can help them uncover value-adding investment opportunities and optimize their financial returns. The Group leverages the wisdom of experienced funds managers to provide an array of portfolio management solutions. As such, the turnover of this segment increased 323% from HK$531,000 (2003) to HK$2,248,000.

Broking

Between July and September 2004, turnover on the Hong Kong stock market decreased despite the rise of the Hang Seng, H-share and red chip indices. The average daily turnover on the Main Board dropped 11%, from the previous quarter to HK$12.2 billion. The average daily turnover of Hang Seng Index ("HSI") constituent stocks fell 13% to HK$5.2 billion, representing 42% of total turnover. The average daily turnover of H-shares dropped 16% to HK$3 billion while turnover of red chips fell 18% to HK$1.8 billion. The average daily turnover on the GEM was HK$48,000,000, a 31% decrease from the previous quarter. IPO activity also diminished between July and September 2004.

Despite these figures, improving economic conditions bolstered investment confidence in the local market between October and December 2004. In addition, the unemployment rate decreased to 6.7% for the three months ended November 2004, while deflation was deemed to have officially ended in October. These factors, supported by the continued recovery of the property market and strong land sales, further boosted market sentiment. Trading was very active between October and December 2004. The HSI advanced 8.5% to 14,320 on 31 December 2004, while the H-share and red chip indices also rose 2% and 8.9% respectively. IPO activity also increased.

Against the backdrop of favorable market sentiment in the Hong Kong stock market, the Group's commission income increased 11% from HK$29,400,000 (2003) to HK$32,500,000, representing 19% of Group's turnover, and interest income from margin clients increased 101%, accounting for 13% of Group's turnover.

Looking Ahead

Since last year, Hong Kong's economy has been staging a broader-based recovery. With the continued economic development of the Mainland and the closer economic ties with Hong Kong, our economy is expected to maintain steady growth over the next four years. With deflation now a thing of the past, the trend growth rate of nominal GDP from 2006 through 2009 is forecast at 5.5%.

The Group is optimistic that Hong Kong's economy will maintain solid growth. In particular, Hong Kong ranked first in Asia and third in the world last year in terms of capital raised, with total IPO and post-IPO equity funds reaching some HK$265 billion, out-performing the London and Tokyo stock exchanges. This demonstrates that Hong Kong has further consolidated its position as the premier international capital-raising center for the Mainland. The Group will continue to play a strong role in providing services to other global partners looking to tap the China market and identify new business opportunities. Meanwhile, the Group will explore various ways to enhance its equity base.

Financial Review

Financial Results

During the year ended 31 December 2004, the Group recorded a turnover of approximately HK$169,137,000 (2003: HK$324,693,000), representing a decrease of 48%. Overall turnover declined mainly due to the decrease in contribution from investment trading activities as a result of the prudent approach taken by the Group towards provision concerning investment trading activities. Turnover of this segment decreased by 65% to HK$91,955,000 for the year under review in comparison with last year (2003: HK$266,294,000). However, the decrease was partially offset by the increase in turnover in broking, financing and asset management. Those sectors recorded a turnover of HK$77,182,000, as compared to HK$58,399,000 in the previous year.

The loss for the year was HK$77,674,000 (2003: profit of HK$4,031,000). The loss per share was 2.59 cents (2003: earnings per share of 0.13 cent). The loss was mainly due to the Group's adoption of prudent accounting treatment in respect of doubtful debts in its securities margin-financing and money lending businesses which resulted in a provision of HK$95,624,000.

Liquidity, Financial Resources and Funding

As at 31 December 2004, the Group had net current assets of HK$145,384,000 (2003: HK$223,795,000). The net decrease in net current assets was attributable to the increase in bank overdrafts and decrease in cash reserve.

As at 31 December 2004, the Group had cash reserves of approximately HK$73,928,000 (2003: HK$89,627,000), which include approximately HK$65,342,000 (2003: HK$61,299,000) of client's funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio as at 31 December 2004 was 130% (2003: 54%). The gearing ratio was derived by dividing the aggregate of bank borrowings and other borrowings by the amount of shareholders' equity. The increase in bank borrowings was mainly due to the expansion of financing activities. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 150% (2003: 198%), reflecting the financial resources are in a healthy position.

The Group had outstanding bank overdrafts of approximately HK$205,678,000 as at 31 December 2004 (2003: HK$128,057,000). The bank overdrafts were denominated in Hong Kong dollars and interest bearing at prevailing commercial lending rates. Listed investments belonging to clients and the Group were pledged to secure these bank overdrafts. These loans and overdrafts were used to finance the Group's operations. We expect that all these borrowings will be repaid by the internal generated funds.

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

Pledge of Assets

At 31 December 2004, listed investments belonging to clients and the Group with total market value of HK$305,074,000 and HK$22,859,000 respectively (2003: HK$405,026,000 and nil respectively) were pledged to banks to secure overdraft and loan facilities granted to two subsidiaries.

Capital Structure

There was no change in the Company's capital structure during the year ended 31 December 2004.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

Exchange Rate Risk

All the Group's assets, liabilities and transactions are denominated in Hong Kong dollar. 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.

Contingent Liabilities

The Group has no significant contingent liabilities as at 31 December 2004.

Material Acquisition and Disposal of Subsidiaries

On 12 January 2004, the Group entered into a conditional sale and purchase agreement with REXCAPITAL Group Limited regarding the disposal of the entire issued share capital of RFG at a consideration of HK$229,000,000, subject to adjustment with reference to the unaudited consolidated net asset value of the RFG Group as at the determination date in accordance with the terms of the sale and purchase agreement, and will be payable in cash upon completion. As the purchaser was not satisfied with the due diligence conducted on the RFG Group, the sale and purchase agreement was terminated on 6 May 2005.

Apart from this, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2004.

Human Resources

As at 31 December 2004, the Group had 43 employees.

The Group remunerated its employees 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's performance.

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

(A) LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter from Ting Ho Kwan & Chan, the auditors of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

The Directors
REXCAPITAL Financial Holdings Limited
Suite 3401, 34/F., COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of REXCAPITAL Financial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed further acquisitions of 18.94% equity interests in Shenzhen Sinodata Technology Co., Ltd. might have affected the financial information presented, for inclusion in the circular dated 29 June 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 189 to 193 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2006 or any future date; and

- the results and cash flows of the Group for the year ended 31 December 2006 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Ting Ho Kwan & Chan
Certified Public Accountants (Practising)

Hong Kong, 29 June 2007

(B) PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group has been prepared based on the audited financial statements of the Group for the year ended 31 December 2006 and the financial information of Sinodata Group for the year ended 31 December 2006 extracted from the Accountants' Report set out in Appendix I of the Circular and adjusted for the transaction resulting from the Acquisition. The financial information of Sinodata Group is translated from RMB to HK$ at the following rates:

Pro forma income statement:	HK$1 = RMB1.026
Pro forma balance sheet:	HK$1 = RMB1.004
Pro forma cash flow statement:	HK$1 = RMB1.026

Unaudited Pro Forma Income Statement of the Enlarged Group

The following is a summary of the unaudited pro forma income statement of the Enlarged Group, assuming that the Acquisition had been taken place on 1 January 2006 for the purpose of illustrating how the Acquisition might have affected the results of the Group.

The unaudited pro forma income statement is prepared to provide financial information on the Enlarged Group as a result of completion of the Acquisition. As it is prepared for illustrative purpose only, it may not purport to represent what the results of the Enlarged Group for the year ended 31 December 2006 or any future period shall be.

	The Group	Sinodata Group	Total	Pro-forma adjustments		Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note (1))		*(Note (2))*	*(Note (3))*	
Turnover	173,883	187,653	361,536	(112,739)	–	248,797
Other income	5,503	2,438	7,941	(2,038)	–	5,903
Other gains/(losses), net	15,413	–	15,413	–	–	15,413
Bad debts recovery, net	3,014	–	3,014	–	–	3,014
Impairment losses for bad and doubtful debts written back, net	2,182	–	2,182	–	–	2,182
Raw materials consumed	(56,006)	(100,984)	(156,990)	56,006	–	(100,984)
Cost of trading of listed securities	(12,544)	–	(12,544)	–	–	(12,544)
Commission expenses	(3,057)	–	(3,057)	–	–	(3,057)
Depreciation	(5,974)	(7,411)	(13,385)	4,495	–	(8,890)
Amortisation of leasehold land and land use rights	(23)	(41)	(64)	23	–	(41)
Amortisation of intangible assets	(312)	(372)	(684)	312	–	(372)
Staff costs	(24,617)	(11,061)	(35,678)	4,833	–	(30,845)
Other operating expenses	(38,569)	(8,975)	(47,544)	7,904	–	(39,640)
Operating profit	58,893	61,247	120,140			78,936
Finance costs	(17,260)	(631)	(17,891)	636		(17,255)
Profit before taxation	41,633	60,616	102,249			61,681
Taxation	(11,002)	(9,656)	(20,658)	7,107		(13,551)
Profit for the year	30,631	50,960	81,591			48,130
Attributable to:						
Equity holders of the Company	11,170	50,501	61,671	(13,732)	(27,615)	20,324
Minority interests	19,461	459	19,920	(19,729)	27,615	27,806
	30,631	50,960	81,591			48,130

Notes:

(1) The adjustment represents the effect of the incorporation of the results for Sinodata Group for the year ended 31 December 2006 as set out in Appendix I to this Circular. These results would be attributed to the Group assuming the Acquisition had been consummated as at the beginning of financial year ended 31 December 2006.

(2) The adjustment represents the elimination of the Group's share of 45.81% of the post acquisition results of Sinodata Group from the 2006 Acquisition.

(3) The adjustment represents the minority interests' share of profit of the Sinodata Group for the year.

Unaudited Pro Forma Balance Sheet of the Enlarged Group

The following is a summary of the unaudited pro forma balance sheet of the Enlarged Group, assuming that the Acquisition had been completed on 31 December 2006 for the purpose of illustrating how the Acquisition might have affected the financial position of the Group. The unaudited pro forma balance sheet is prepared to provide financial information on the Enlarged Group as a result of completion of the Acquisition. As it is prepared for illustrative purpose only, it may not purport to represent what the financial position of the Enlarged Group shall be on actual completion of the Acquisition.

	The Group	Sinodata Group	Total	Pro-forma adjustments		Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note (1))*	*HK$'000* *(Note (2))*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	43,139	26,359	69,498	(26,359)	–	43,139
Prepaid lease payments on land use rights	5,982	1,325	7,307	(1,325)	–	5,982
Goodwill	384,095	–	384,095		200,677	584,772
Intangible assets	11,945	773	12,718	(773)	–	11,945
Deposits for acquisition of leasehold land use rights and buildings	23,500	23,500	47,000	(23,500)	–	23,500
Statutory deposits	2,132	–	2,132	–	–	2,132
Deferred tax assets	3,715	–	3,715	–	–	3,715
Total non-current assets	474,508	51,957	526,465			675,185
Current assets						
Inventories	53,569	43,136	96,705	(43,136)	–	53,569
Trade receivables	323,101	75,854	398,955	(75,854)	–	323,101
Other receivables	40,000	–	40,000		–	40,000
Other debtors, deposits and prepayments	66,684	45,578	112,262	(45,578)	–	66,684
Financial assets at fair value through profit or loss	20,288	–	20,288		–	20,288
Profits tax refundable	3,181	–	3,181		–	3,181
Cash and bank balances	164,867	14,080	178,947	(14,080)	(25,250)	139,617
Total current assets	671,690	178,648	850,338			646,440
Total assets	1,146,198	230,605	1,376,803			1,321,625
Capital and reserves attributable to the Company's equity holders						
Share capital	59,170	35,418	94,588	(35,418)	3,000	62,170
Reserves	752,262	147,122	899,384	(147,122)	207,000	959,262
	811,432	182,540	993,972			1,021,432
Minority interests	118,612	–	118,612		(34,573)	84,039
Total equity	930,044	182,540	1,112,584			1,105,471

	The Group	Sinodata Group	Total	Pro-forma adjustments		Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note (1))*	*HK$'000* *(Note (2))*	*HK$'000*
LIABILITIES						
Current liabilities						
Trade payables	41,309	16,889	58,198	(16,889)	–	41,309
Other payables and accruals	26,334	10,404	36,738	(10,404)	–	26,334
Current income tax liabilities	3,693	3,696	7,389	(3,696)	–	3,693
Bank borrowings	125,667	1,022	126,689	(1,022)	–	125,667
Total current liabilities	197,003	32,011	229,014			197,003
Non-current liabilities						
Bank borrowings	12,777	12,673	25,450	(12,673)	–	12,777
Deferred tax liabilities	6,374	3,381	9,755	(3,381)	–	6,374
Total non-current liabilities	19,151	16,054	35,205			19,151
Total liabilities	216,154	48,065	264,219			216,154
Total equity and liabilities	1,146,198	230,605	1,376,803			1,321,625

Notes:

(1) The assets and liabilities of Sinodata Group have already been incorporated into the Group's consolidated balance sheet as at 31 December 2006 following the completion of the 2006 Acquisition. The adjustment represent the exclusion of the assets and liabilities of Sinodata Group.

(2) These adjustments represent the accounting for the financial effect immediately upon completion of the Acquisition including:

(i) the arising of goodwill from the acquisition of additional 18.94% equity interests of Sinodata Group. The goodwill is calculated based on the net assets value of Sinodata Group as at 31 December 2006 and the amount of goodwill may be different at the Completion date;

(ii) the settlement of the cash consideration upon completion;

(iii) the issuance of 300 million new shares of the Company at HK$0.01 each;

(iv) the increase in share premium by issuing 300 million new shares at issue price of HK$0.70 per share;

(v) the elimination of 18.94% minority interests of Sinodata Group due to the acquisition of the additional equity interests of Sinodata Group.

Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

The following is a summary of the unaudited pro forma cash flow statement of the Enlarged Group, assuming that the Acquisition had been taken place on 1 January 2006 for the purpose of illustrating how the Acquisition might have affected the cash flows of the Group.

The unaudited pro forma cash flow statement is prepared to provide financial information on the Enlarged Group as a result of completion of the Acquisition. As it is prepared for illustrative purpose only, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 December 2006 or any future period.

	The Group	Sinodata Group	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note (1))		*(Note (2))*	
OPERATING ACTIVITIES	(29,152)	8,217	(20,935)	31,185	10,250
INVESTING ACTIVITIES	(154,157)	(33,350)	(187,507)	(2,701)	(190,208)
FINANCING ACTIVITIES	406,319	23,834	430,153	(42,384)	387,769
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	223,010	(1,299)	221,711		207,811
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(199,559)	15,076	(184,483)		(184,483)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23,451	13,777	37,228		23,328

Notes:

(1) The adjustment represents the incorporation of the cash flow statement of Sinodata Group for the year ended 31 December 2006 as set out in Appendix I to this Circular.

(2) The adjustment represents the elimination of the effect on the consolidated cash flow statements of the Group's share of 45.81% of the post acquisition results of Sinodata Group from the 2006 Acquisition.

The following is the full text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 May 2007 of the property interests proposed to be acquired by the Company.

Asset Appraisal Limited
資產評值顧問有限公司

Rm 1303 13/F Beverly House
No. 93-107 Lockhart Road Wanchai HK
香港灣仔駱克道93-107號
利臨大廈13樓03室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

29 June 2007

The Board of Directors
REXCAPITAL Financial Holdings Limited
Suite 3401, 34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Dear Sirs,

RE: VALUATION OF PROPERTIES SITUATED IN THE PEOPLE'S REPUBLIC OF CHINA

In accordance with your instructions to value the property interests (the "properties") held by REXCAPITAL Financial Holdings Limited (the "Company") and its subsidiaries (altogether referred to as the "Group") situated in the People's Republic of China (the "PRC") and in Hong Kong, we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2007 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the properties. Moreover, the Company has engaged PRC lawyers to verify ownership of the properties.

We have relied upon the legal opinions provided by the PRC legal adviser, namely Beijing L&L Law Firm (北京市經天緯文律師事務所) (the "PRC Legal Opinions"), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

As the properties are held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MFin MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Property	Market Value as at 31 May 2007 *RMB*
Properties held and occupied by the Group		
1.	Units 3B, 3C and 3D on Level 3 Block No. 7 Nanyou Tianan Industrial Estate Dengliang Road Nanshan District Shenzhen Guangdong Province the PRC	9,000,000
2.	Unit No. 1610 on Level 16 Cyber Tower A Hi-Tech Convention and Exhibition Centre No. 2 Zhongguancun Nan Street Haidian District Beijing the PRC	1,850,000
	Total:	**10,850,000**

VALUATION CERTIFICATE

Properties held and occupied by the Group

	Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2007 *RMB*
1.	Units 3B, 3C and 3D on Level 3 Block No. 7 Nanyou Tianan Industrial Estate Dengliang Road Nanshan District Shenzhen Guangdong Province the PRC	The property comprises three industrial units on Level 3 of an 8-storey industrial building completed in 2000. The total gross floor area (GFA) of the property is 1,679.90 square metres which is broken down as follows: **Unit** / **GFA** *(sq.m.)* 3B 602.07 3C 636.89 3D 440.94 **Total 1,679.90** The land use rights of the property has been granted for a term of 50 years commencing on 12 October 1988 and expiring on 11 October 2038 for industrial/godown uses.	The property is currently owner occupied.	9,000,000

Notes:

1. As revealed from 3 sets of Building Ownership Certificate (Ref Nos. Shen Fang Di Zi Di Nos. 4000043786, 4000043787 and 4000043789) all issued by the Municipal Government of Shenzhen and dated 9 April 2001, the property is held by Shenzhen Sinodata Technology Co., Ltd., a 45.81% owned subsidiary of the Company for a term of 50 years commencing on 12 October 1988 and expiring on 11 October 2038 for industrial/godown uses.

2. Opinion of the PRC Lawyer on the property is summarized as follows:

   2.1 The land use rights in the property are held by Shenzhen Sinodata Technology Co., Ltd for a term of 50 years commencing on 12 October 1988 and expiring on 11 October 2038 for industrial/godown uses;

   2.2 Up to the date of the PRC legal opinion, the property was free from any encumbrances and was not subject to any situation leading to re-entry by the government; and

   2.3 Shenzhen Sinodata Technology Co., Ltd as a land use right holder of the property, can freely transfer, mortgage or lease the property on the market during the unexpired land use right term.

3. This property has been acquired by the Group more than 5 years of the date of this valuation report.

	Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2007 *RMB*
2.	Unit No. 1610 on Level 16 Cyber Tower A Hi-Tech Convention and Exhibition Centre No. 2 Zhongguancun Nan Street Haidian District Beijing the PRC	The property comprises an office unit on Level 16 of a 30-storey commercial building completed in 2002. The registered gross floor area and net floor area of the property are 105.82 square metres and 65.38 square metres respectively.	The property is currently owner occupied.	1,850,000

Notes:

1. Pursuant to an Agreement for Sale and Purchase dated 22 January 2003 between Beijing Xiang Hai Convention and Exhibition Real Estate Development Co. Ltd.(北京香海會展房地產開發有限公司) and Huang Li Jun (黃立軍), the latter acquired the property from the former at a consideration of RMB1,817,938 which has been settled in full. The Agreement for Sale and Purchase was registered in the Beijing Property Exchange(北京市房地產交易所) on 12 March 2003.

2. Pursuant to a Building Title Agreement(房屋產權協議) entered into between 北京戈德利邦科技有限公司, a 70% owned subsidiary of the Company (Party A) and Huang Li Jun (Party B) in 2006, Party B agreed to acquire, to act as legal owner of the property and to solicit bank mortgage for the benefit of Party A. All purchase prices, bank mortgage repayment and interest payment of the property shall be borne by Party A. Upon discharging the bank mortgage by Party A, Party B shall procure the change of legal owner of the property from Party B to Party A.

3. Opinion of the PRC Lawyer on the property is summarized as follows:

   3.1 Pursuant to an Agreement for Sale and Purchase dated 22 January 2003 between Beijing Xiang Hai Convention and Exhibition Real Estate Development Co. Ltd.(北京香海會展房地產開發有限公司) and Huang Li Jun(黃立軍), the latter acquired the property from the former at a consideration of RMB1,817,938 which has been settled in full. The Agreement for Sale and Purchase was registered in the Beijing Property Exchange(北京市房地產交易所) on 12 March 2003;

   3.2 The aforesaid Agreement for Sale and Purchase is legal and valid. Upon completion all the acquisition procedures as stated in the Agreement for Sale and Purchase, there is no legal impediment to Huang Li Jun(黃立軍) for the issue of the Building and Land Ownership to the property owner;

   3.3 The property is subject to a mortgage in favour of the China Construction Bank Beijing Dong 4th Branch(中國建設銀行北京東四支行) to an exant of RMB1,090,000;

   3.4 The Building Title Agreement entered into between 北京戈德利邦科技有限公司 and Huang Li Jun(黃立軍) is legal and enforceable. Huang Li Jun(黃立軍) is merely a registered owner of the property and is bounded to transfer the legal title back to 北京戈德利邦科技有限公司 in accordance with the Building Title Agreement; and

   3.5 Upon completion the legal title transfer procedures, 北京戈德利邦科技有限公司 as the owner of the property, can freely transfer, mortgage or lease the property on the market during the unexpired land use right term.

4. In the course of our valuation, we have assumed the property is held for a land use rights term of 50 years for industrial purpose as stated in the land law of the PRC.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

		Par Value per Share *(HK$)*	*HK$*
Authorized:			
20,000,000,000	Shares authorized as at the Latest Practicable Date	0.01	200,000,000
Issued and fully paid:			
5,989,000,000	Shares issued as at the Latest Practicable Date	0.01	59,890,000
152,375,000	EA Consideration Shares	0.01	1,523,750
147,625,000	SG Consideration Shares	0.01	1,476,250
6,289,000,000	Shares	0.01	62,890,000

DISCLOSURE OF INTERESTS

Directors and chief executive

(a) As at the Latest Practicable Date, the interest and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required 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 he is taken or deemed to have under such provisions of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transaction by Directors of Listed Companies:

Long position in the Shares

Name of Director	Number of Shares held	Nature of interests	Approximate percentage of issued share capital
Chan How Chung, Victor (“Mr. Chan”)	1,098,805,635	Interest of a controlled corporation	18.35%

Note:

These shares are held by Kingly Profits Corporation, of which 380,902,945 Shares are held as beneficial owner and 717,902,690 Shares are held as other interests. Kingly Profits Corporation is indirectly wholly-owned by Mr. Chan. Mr. Chan is also taken to be interested in 717,902,690 Shares by virtue of his 100% attributable shareholding interest in TingKong-RexCapital Holdings Limited. TingKong-RexCapital Holdings Limited is a contributory of TKR Finance Limited (in liquidation), which had a security interest over such Shares. The interest disclosed herein is the same as the interest of TingKong-RexCapital Holdings Limited as disclosed in the section under “Substantial Shareholders” in this Appendix.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which he/she was taken or deemed to have under such provisions of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) As at the Latest Practicable Date, none of the Directors, supervisors, proposed directors or proposed supervisors of the Company had any interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Enlarged Group.

Substantial Shareholders

Interests in the Company

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons, other than a director or chief executive of the Company, had an interest and/or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Kingly Profits Corporation	Beneficial and other interest	1,098,805,635 *(Note 1)*	18.35%
Gandhara Advisors Asia Ltd a/c Gandhara Master Fund Ltd	Investment Manager	524,875,000	8.76%
TKR Finance Limited (in liquidation)	Security interest	735,852,690	12.29%
TingKong-RexCapital Holdings Limited	Interest in controlled corporation	717,902,690 *(Note 2)*	11.99%
CITIC Media Group Limited	Interest in controlled corporation	500,000,000	8.35%

Notes:

1. These Shares were held by Kingly Profits Corporation. The interest disclosed herein was the same as the interest of Mr. Chan as disclosed in the section under "Disclosure of Interests – Directors and chief executive" in this Appendix.

2. TingKong-RexCapital Holdings Limited is a contributory of TKR Finance Limited (in liquidation), which had a security interest over such Shares. TingKong-RexCapital Holdings Limited was owned as to 51.63% by REXCAPITAL Partners Incorporated and as to 48.37% by Mr. Chan. REXCAPITAL Partners Incorporated was owned as to 100% by Mr. Chan. The interest disclosed herein was the same as the interest of Mr. Chan as disclosed in the section under "Disclosure of Interests – Directors and chief executive" in this Appendix.

Interests in non wholly-owned subsidiaries

Name of Shareholder	Name of subsidiary	Approximate percentage of interest in such subsidiary
好客投資管理咨詢(深圳)有限公司	Sinodata	20%
武漢華彩科技有限責任公司	北京戈德利邦科技有限公司	30%
國旅聯合股份有限公司	深圳市金帆軟件技術有限公司	20.5%
徐曉生	深圳市金帆軟件技術有限公司	16%
中信文化傳媒集團有限公司	御泰投資管理(南通)有限公司	10%

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly 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.

COMPETING INTERESTS

Pursuant to Rule 8.10(2) of the Listing Rules, details of the interests held by the Directors in business which is considered to compete or are likely to compete, either directly or indirectly, with the business of the Group, are disclosed as follows:

Name of company	Competing business
D & M Finance Limited ("D&M")	Money lending
RPI Finance Limited ("RPI")	Money lending
Drake & Morgan Limited ("Drake & Morgan")	Securities dealing

Mr. Chan How Chung, Victor is a director and deemed to be the substantial shareholder of RPI and Drake & Morgan. He is a director of D&M. The terms and conditions of the financing loans of each of D&M and RPI are market driven and agreed at arm's length between the borrowers and the financiers. The client base of Drake & Morgan is different from that of the Group and the business transactions are carried out at arm's length and at the prevailing market prices. When making decisions on the above competing business, the relevant Director, in the performance of his duty as a director of the Company, has acted and will continue to act in the best commercial interest of the Group.

EXPERT STATEMENTS

The following are the qualifications of the experts who have given an opinion or advice on the information contained in this circular:

Name	Qualification
Ting Ho Kwan & Chan	Certified Public Accountants
Asset Appraisal Limited	Professional Property Valuers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letters, reports and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published consolidated audited accounts of the Group had been made up.

LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group or the Enlarged Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

MATERIAL CONTRACTS

The particulars of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of this circular are set out as follows:

(a) the EA Share Purchase Agreement;

(b) the SG Share Purchase Agreement;

(c) the conditional sale and purchase agreement dated 8 August 2006 entered into between Huge Top Enterprises Inc. and Grand Langley Ltd. in relation to the acquisition of the entire issued share capital of Pentium Win Limited at the consideration of HK$29,000,000. Details of the agreement are set out in the announcement of the Company dated 9 August 2006;

(d) the placing agreement dated 1 August 2006, as amended by the supplemental placing agreement dated 2 August 2006, entered into among Kingly Profits Corporation, the Company and Bear Sterns Asia Limited as the placing agent, pursuant to which Bear Sterns Asia Limited agreed to place, on a best efforts basis, up to a maximum of 730,000,000 Shares held by Kingly Profits Corporation at a placing price of HK$0.35 per Share. Details of the agreement are set out in the announcement of the Company dated 3 August 2006;

(e) the subscription agreement dated 1 August 2006, as amended by the supplemental subscription agreement dated 2 August 2006, entered into between Kingly Profits Corporation and the Company in relation to the subscription of up to 730,000,000 Shares by Kingly Profits Corporation at a subscription price of HK$0.35 per Share. Details of the agreement are set out in the announcement of the Company dated 3 August 2006;

(f) the conditional sale and purchase agreement dated 25 July 2006 entered into among Genius Nation Limited, the Company, Gain Silver International Limited and two independent third parties as the warrantors in relation to the acquisition of the entire issued share capital of Happy Sun Technologies Ltd. at the consideration of HK$157,040,000. Details of the agreement are set out in the circular of the Company dated 18 August 2006;

(g) the placing agreement dated 23 March 2006 entered into among Kingly Profits Corporation, the Company and Bear Sterns Asia Limited as the placing agent, pursuant to which Bear Sterns Asia Limited agreed to place, on a best efforts basis, up to a maximum of 1,200,000,000 Shares held by Kingly Profits Corporation at a placing price of HK$0.2 per Share. Details of the agreement are set out in the circular of the Company dated 12 June 2006;

(h) the subscription agreement dated 23 March 2006 entered into between Kingly Profits Corporation and the Company in relation to the subscription of up to 1,200,000,000 Shares by Kingly Profits Corporation at a subscription price of HK$0.2 per Share. Details of the agreement are set out in the circular of the Company dated 12 June 2006; and

(i) the conditional share sale and purchase agreement dated 15 March 2006, as amended by the supplemental agreement dated 20 March 2006, entered into between REXCAPITAL Financial Group Limited, the Company and Magic Dynasty Limited, in relation to the acquisition of the entire issued share capital of Multi Glory Limited at the consideration of HK$227,800,000. Details of the agreement are set out in the circular of the Company dated 12 June 2006.

MISCELLANEOUS

(a) The English language text of this document shall prevail over the Chinese language text.

(b) The Secretary of the Company is Ms. Ng Yuen Yee, *ACS, ACIS*.

(c) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Woo Ming Wah, *CPA*.

(d) The Company's branch share registrar and transfer office in Hong Kong is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 3401, 34th Floor, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong for a period of 14 days (excluding Saturdays) from the date of this circular:

(a) the bye-laws of the Company;

(b) each of the contracts set out under the paragraph headed "Material Contracts" in this Appendix;

(c) the annual reports of the Company for the three financial years ended 31 December 2004, 2005 and 2006;

(d) the accountants' report on Sinodata Group as signed by Ting Ho Kwan & Chan, the text of which is set out in Appendix I to this circular;

(e) the statement of pro forma net assets of the Enlarged Group prepared by Ting Ho Kwan & Chan referred to in Appendix III to this circular;

(f) the letter from Ting Ho Kwan & Chan regarding the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) all reports, letters and other documents, balance sheets, valuations and statements by any expert a part of which is extracted or referred to in this circular;

(h) the written consent of each of Ting Ho Kwan & Chan and Asset Appraisal Limited referred to under the section headed "Expert Statements" in this Appendix;

(i) the circular of the Company dated 12 June 2006 relating to a major and connected transaction; and

(j) the circular of the Company dated 18 August 2006 relating to a discloseable transaction.

REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

NOTICE IS HEREBY GIVEN that a special general meeting (the "Special General Meeting") of REXCAPITAL Financial Holdings Limited (the "Company") will be held at 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong on Thursday, 19 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the execution of the conditional share sale and purchase agreement dated 19 March 2007 (the "EA Share Purchase Agreement") entered into between the Company (the "Purchaser") and Excellot Assets Management Limited (the "Vendor") in relation to the proposed acquisition of the entire issued share capital of Global Union Group Limited by the Purchaser from the Vendor pursuant to the EA Share Purchase Agreement at a consideration of HK$119,487,500 which is to be satisfied as to HK$12,825,000 in cash and as to HK$106,662,500 by the issue of 152,375,000 new Shares of HK$0.01 each in the share capital of the Company ("EA Consideration Shares") at an issue price of HK$0.7 per Share to the Vendor (or its nominee) (the "EA Acquisition"), a copy of the EA Share Purchase Agreement has been produced to the meeting marked "A" and initialed by the chairman of the meeting for identification purpose and the EA Acquisition, the issue of the EA Consideration Shares and the performance by the Company thereof and the transactions contemplated thereby be and are hereby confirmed, ratified and approved; and that any one or more of the directors of the Company be and are hereby authorized to sign, seal, execute, perfect, deliver or do all such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things, matters and take all such actions as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with the giving effect to the EA Share Purchase Agreement and the exercise or enforcement of any of the Company's rights under the EA Share Purchase Agreement including, inter alias, upon the EA Share Purchase Agreement becoming unconditional, the authority to complete the transactions contemplated by the EA Share Purchase Agreement or to procure completion of the same and to make and agree with such changes in the terms of the EA Share Purchase Agreement as any such director(s) may in his or their discretion consider necessary, desirable or expedient and in the interest of the Company; and

(b) the directors of the Company be and are hereby authorized to allot and issue the EA Consideration Shares to Excellot Assets Management Limited (or to such other person or persons as it may nominate) upon the completion of the EA Acquisition or any part thereof, credited as fully paid pursuant to the terms of the EA Share Purchase Agreement, such EA Consideration Shares shall rank pari passu in all respects with the existing shares of the Company in issue at the date of allotment of the EA Consideration Shares."

2. "**THAT**

(a) the execution of the conditional share sale and purchase agreement dated 19 March 2007 (the "SG Share Purchase Agreement") entered into between the Company (the "Purchaser") and Sino Gateway International Limited (the "Vendor") in relation to the proposed acquisition of the entire issued share capital of Huge Rich Enterprises Limited by the Purchaser from the Vendor pursuant to the SG Share Purchase Agreement at a consideration of HK$115,762,500 which is to be satisfied as to HK$12,425,000 in cash and as to HK$103,337,500 by the issue of 147,625,000 new Shares of HK$0.01 each in the share capital of the Company ("SG Consideration Shares") at an issue price of HK$0.7 per Share to the Vendor (or its nominee) (the "SG Acquisition"), a copy of the SG Share Purchase Agreement has been produced to the meeting marked "B" and initialed by the chairman of the meeting for identification purpose and the SG Acquisition, the issue of the SG Consideration Shares and the performance by the Company thereof and the transactions contemplated thereby be and are hereby confirmed, ratified and approved; and that any one or more of the directors of the Company be and are hereby authorized to sign, seal, execute, perfect, deliver or do all such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things, matters and take all such actions as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with the giving effect to the SG Share Purchase Agreement and the exercise or enforcement of any of the Company's rights under the SG Share Purchase Agreement including, inter alias, upon the SG Share Purchase Agreement becoming unconditional, the authority to complete the transactions contemplated by the SG Share Purchase Agreement or to procure completion of the same and to make and agree with such changes in the terms of the SG Share Purchase Agreement as any such director(s) may in his or their discretion consider necessary, desirable or expedient and in the interest of the Company; and

(b) the directors of the Company be and are hereby authorized to allot and issue the SG Consideration Shares to Sino Gateway International Limited (or to such other person or persons as it may nominate) upon the completion of the SG Acquisition or any part thereof, credited as fully paid pursuant to the terms of the SG Share Purchase Agreement, such SG Consideration Shares shall rank pari passu in all respects with the existing shares of the Company in issue at the date of allotment of the SG Consideration Shares."

By order of the board of
REXCAPITAL Financial Holdings Limited
Chan How Chung, Victor
Executive Director

Hong Kong, 29 June 2007

Notes:

1. Any member of the Company (the "Member") entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Vote may be given either personally or by a duly authorized corporate representative or by proxy. A Member who is the holder of two or more shares of the Company (the "Shares") may appoint more than one proxy to attend on the same occasion provided that, if more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a Member. In addition, a proxy or proxies representing either an individual Member or a Member which is a corporate, shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise, including, without limiting the generality of foregoing, but subject to the right to vote individually on a show of hands.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is corporation, either under seal or under the hand of an officer or attorney duly authorized.

3. A form of proxy for the Meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude of a Member from attending and voting in person at the meeting or poll concerned.

4. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution unless it states that it is valid for all meetings whatsoever until revoked with the exception that any instrument may be used at any adjournment of the meeting for which it was originally intended and on a poll demanded at a meeting or adjourned meeting provided that in all these cases the meeting was originally held within 12 months from such date.

5. The instrument appointing a proxy to vote shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit.

6. A vote given in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorized corporate representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or power of the attorney or other authority under which the proxy was executed or transfer of the Share in respect of which the proxy is given provided that no intimation in writing of the death, insanity, revocation or transfer has been received at the office or such other place as was specified for the deposit of instrument of proxy or by the chairman of the meeting at least 2 hours before the commencement of the meeting or adjourned meeting at which the instrument of proxy is used.