

Annual report
and accounts 2007



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HIGHLIGHTS

Financial Highlights

- ▶ Revenues for the year **up 95% to US\$54.3m (2006: US\$27.8m)**
- ▶ Average daily casino turnover **up 67% to US\$6.2m (2006: US\$3.7m)**
- ▶ Average daily poker rake and tournament fees **up 14 fold in 2007**
- ▶ Other revenues, including reseller commissions **up 31% to US\$2.5m (2006: US\$1.9m)**
- ▶ Profit before tax and adjustment for share based awards **up 210% to US\$12.4m (2006: US\$4.0m)**
- ▶ Average net gaming per day increased from **US\$92,243** in January to **US\$145,249** in December, **a rise of 57%**
- ▶ Adjusted earnings per share of **19.4 cents** per share **(2006: 6.37 cents)**

Operational Highlights

- ▶ Successful AIM IPO in December 2007 raising £44.3m (before expenses)
- ▶ Since IPO:
 - (a) acquired the Asian Poker Tour and announced a four location tour for 2008
 - (b) entered into a sub-licensing agreement with Philweb
 - (c) completed a co-operation agreement with Elixir Gaming and several software and technology acquisitions and joint ventures; and
 - (d) enhanced product offering and roll out with two additional Playtech casinos and one poker room launched in March 2008

CHAIRMAN'S STATEMENT

JONG-DAE LEE

Non-Executive Chairman



“The Company made outstanding advancement in all key areas of performance and we exceeded all targets set last year.”

It is with great pleasure that I present the maiden set of full year results for AsianLogic Limited for the year ended 31 December 2007.

It was a year of considerable growth and activity for the Company; with the highlight being the Company's flotation on the AIM market of The London Stock Exchange on 28 December 2007. This enabled the Group to raise £44.3 million, before expenses, and, importantly, significantly raised the profile of the Company at a time when its model was accelerating, both in terms of financial performance and presence in its core market place.

The rigours and scrutiny of being a publicly listed Company has been a welcome discipline for the Company's executive which has been of benefit to the Group as a whole.

I am delighted to report that for the year in question, the Company made strong advances in all key areas of performance and the Group exceeded all targets set last year. Business growth has been significant in terms of revenues but perhaps more importantly, at this early stage of the Company's history, it experienced the winning of new high quality clients that are so important to the Group's continued development.

In summary, AsianLogic enjoyed an excellent 2007 with significant growth across all the divisions. I would particularly like to thank my colleagues on the Board for their continued support and my sincere thanks also goes to all the hardworking people at AsianLogic whose talents, dedication and commitment have been outstanding. They have played such an important part in the excellent results that the Company has consistently delivered over the years.

We are totally focused on delivering good shareholder value and the Board is highly confident about the Company's performance for 2008 and beyond.

EXECUTIVE VICE CHAIRMAN'S STATEMENT

THOMAS HALL

Executive Vice Chairman



“ I am pleased to report that the business has grown significantly in terms of revenues, affiliate partners and importantly, winning new high quality clients.”

I am delighted to introduce AsianLogic's results. The highlight of the year was the Company's admission to AIM in December 2007, the culmination of many months of hard work by senior management and our advisors. I am pleased to report that the business has grown significantly in terms of revenues, affiliate partners and importantly, in terms of winning new high quality clients.

The 2007 results show excellent growth over the previous year from all our divisions. The Group made strong financial progress, again recording record levels of revenue and profit. Since the year end, the Group has made a good start to 2008 with Q1 net profit up 10 fold from Q1 2007.

Since the IPO, the Company has pursued its growth strategy, outlined at the IPO, of high level investment in new business and strategic acquisitions.

In February, AsianLogic acquired and took over the running of the renowned Asian Poker Tour, Asia's original and largest poker tour, and announced a four location tour for 2008. AsianLogic has also entered into a sub-licensing agreement with Philweb, completed a co-operation agreement with Elixir Gaming and has completed several smaller software and technology acquisitions and joint ventures.

The Company expects to very shortly finish final due diligence and complete the acquisition of a 25% stake in a long established, leading European based e-gaming marketer.

We have also entered into two additional agreements: to acquire a major Asian e-gaming operator (the transaction will be part cash and part shares) and acquire a strategic stake in a quoted Asian gaming company and to enter into various joint venture activities.

Both transactions are currently in the final stages of due diligence and are expected to have a material positive impact on the Company's earnings.

The Company continues to expand its product offering with the roll out of two additional Playtech based casino games and one poker room in March 2008.

Our AIM IPO on 28 December 2007 raised £44.3 million (before expenses), through a placing of 48,523,750 new ordinary shares of no par value at a placing price of 111.62p per share.

The Placing Shares represent approximately 44% of AsianLogic's issued share capital.

Proceeds from the offering are being used primarily to drive business growth by investing in suitable companies in the sector and to fund growth by acquisition.

No final dividend has been proposed for the year. The Directors have formally agreed that following the six months ended 30 June 2008, the Company will adopt an annual dividend payment ratio of 50% of the Group's profit after tax to be paid partially mid-year.

The Directors are confident of achieving further growth in revenues and profitability in the current financial year. They expect to see continuing growth in the underlying business driven by rapidly expanding markets, additional gaming brands and gaming products, strengthening relationships with key marketing partners and a continuing development of land-based gaming activities.

In addition, the Directors are actively pursuing the growth strategy, outlined at the IPO, of high level investment in new business and strategic acquisitions. Financial market conditions in early 2008 have given rise to interesting opportunities and have allowed the Company to pursue a more aggressive pricing policy when contemplating acquisitions due to the Company's very healthy balance sheet and general inability of certain targets to easily raise funds in either public markets or other traditional channels. In addition to transactions already disclosed, the Company is in discussions with a number of other parties and has a strong pipeline of interesting potential transactions.

The Directors expect to see an improvement in revenue and gross margins driven by its investment and acquisition strategy.

We are confident of announcing further major international strategic deals and investments in due course.

AsianLogic has enjoyed an excellent year of progress. I would like to thank my Board colleagues for their continued support and also express my thanks to all the AsianLogic team. They are a talented group of people whose dedication and commitment has again been outstanding.

“The Directors are confident of achieving further growth in revenues and profitability in the current financial year.”

CHIEF EXECUTIVE OFFICER'S REPORT

CHRISTOPHER PARKER

Chief Executive Officer



“The Group has made strong financial and operational progress during the 2007 year, reporting record levels of revenue and profit.”

I am pleased to introduce AsianLogic's maiden set of full year results as a public Company following the admission of the Company's shares to the London Stock Exchange's Alternative Investment Market (AIM) on 28 December 2007. The Group has made strong financial and operational progress during the 2007 year, reporting record levels of revenue and profit.

The Group continues to expand rapidly with increased product development in new geographical markets leading to a number of new revenue streams. This has been achieved through the enormous commitment and drive of all employees. My thanks go to everyone within AsianLogic, including my fellow Directors, for their contribution throughout 2007.

Review of Operations

The 2007 results show excellent growth over the previous year in all of the divisions. Total revenue for the year was US\$54.3m representing an increase of 95% on the US\$27.8m achieved in 2006. Average daily casino turnover increased 67% to US\$6.2m when compared to the US\$3.7m achieved in 2006 and daily poker and tournament fees went up 14 fold in 2007.

Other revenues, including reseller commissions, increased to US\$2.5m from US\$1.9m in 2006. Profit before tax and adjustment for share based awards was up 210% to US\$12.4m (2006: US\$4.0m) and net gaming per day increased from US\$92,243 in January to US\$145,249 in December, a rise of 57%. Adjusted earnings per share increased to 19.4 cents per share up from 6.37 cents in 2006.

On-line Casinos

The Group's on-line casino business experienced very strong growth of 67% in 2007. With this growth continuing, the on-line casino operation is expected to contribute significantly to total revenues for 2008. In addition to our own casino brands, the Company sees considerable growth and diversification by providing "white labels" or "skins" to vetted, third party operators, in exchange for a revenue sharing arrangement.

Typically, AsianLogic provides these independent operators with the gaming experience and support by providing the leading gaming platform, a license under which to operate, as well as comprehensive customer service; payment processing and IT support, leaving the operator to provide its own "front end" websites and marketing activities. All gaming takes place on the AsianLogic systems, which enables customers of the Group, including those referred by the skins' operators, to play on a common platform and access the same games and common progressive jackpots.

As well as the revenue generating casino sites described above, the Group also offers certain “play for fun” games, where players can participate in games for free, allowing players an opportunity to learn and become acquainted with the casino games before playing for real money.

Casino Gaming – Live Video Streaming

The Group is actively involved in the development of live video streaming for online casinos. It operates what is in effect a casino without any players from its premises in Manila, with the live video feed streamed over the internet to players of online casinos. This live videostream casino gaming facility allows the players to see the dealer’s actions, such as spinning a roulette wheel, dealing cards or throwing dice in real-time, and also to interact with the dealers. The Group considers this live gaming product to have two distinct benefits. Firstly, the dealer’s moves are visible at all times, providing credibility valued by high rollers and by those players who are more trusting of a ‘bricks and mortar’ casino-type environment as opposed to a computer random number generator.

Secondly, the personal interaction between player and dealer helps to replicate the human interaction of the land-based casino experience.

This facility operates 24 hours a day, seven days a week and employs approximately 200 staff. It is run exclusively for Playtech Ltd, the AIM listed international software provider, which in turn offers this functionality to its licensees.

Poker

AsianLogic’s poker franchise continues to grow and is already the dominant force in poker in Asia.

On-line, the Group currently operates four poker rooms, two of which operate under exclusive marketing “white label” contracts with third party partners.

Another exciting development, in-line with the overall strategy of becoming ‘No 1’ in poker in Asia, was the acquisition of the Asian Poker Tour in February 2008.

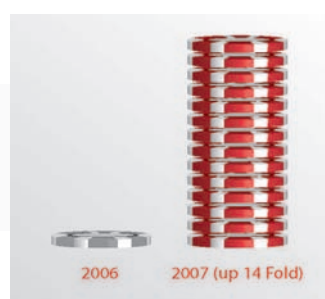
In 2008, the “tour” will consist of 4 tournaments: Manila, Philippines – May; Macau, China – August; Seoul, Korea – October; and Singapore in December. The Asian Poker Tour will bring the excitement of poker to Asia where the Group expects tremendous growth opportunities and where this event will become a cornerstone of our expansion into the poker market place.

On-line Peer-to-Peer Gaming

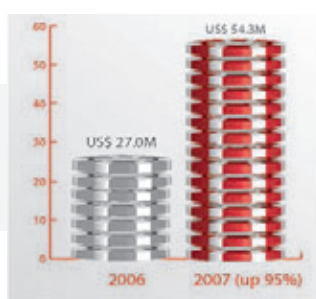
Originally, Poker fell within the Group’s online P2P gaming stream but, given its growth potential, has been split-off as an independent business unit. However, this does not diminish from the importance of our other developments in this P2P area.

To this end, the Group recently introduced a new member to the Company’s house brand “Dafa” to compliment existing and successful brands Dafa888 (casino) and Dafa Poker.

DafaGames allows “play for money” Asian games: Mahjong, Cho-Da-Di, Do-Di-Zhu and 13 Card Poker. Since its March 2008 launch, the brand has grown significantly in the number of daily players. The Group also controls a number of other websites including www.asiangames.com and www.asian-games.com which we intend to develop and use as gaming portals for both “Play for fun or points” and “Play for money”.



Average Daily Poker Rake and Fees



Revenues



Average Daily Casino Turnover

We believe, like Poker, that the growth potential of Mahjong will be considerable. The Group has established the “Mahjong World Tour” brand to organise land-based Mahjong events initially throughout the Asian Region. The Group already has a Mahjong platform operating on DafaGames.

Sports Book

Through its controlling interest in Orient Capital Ventures Inc, the Group operates a licensed sports betting operation in the Philippines under the “Megasportsworld” brand. This is primarily a land based operation with betting terminals being located in MSW shops and other local partner locations as they become available.

Advisory

Since inception, the Group has used its network of contacts with operators and regulators to provide an advisory service to investors and operators seeking to gain exposure to the gambling industry in Asia.

The Group also provides consultancy services assisting and advising companies on a variety of transactions, including pre-IPO and public deals. In certain circumstances, the Group has made direct investments in the gaming sector, typically in private companies with management occasionally taking board positions in the investee companies. The Group advisory revenues comprise introductory fees and consultancy fees.

Also, AsianLogic produces seven branded global and Asian gambling indices related to the quoted gambling sector.

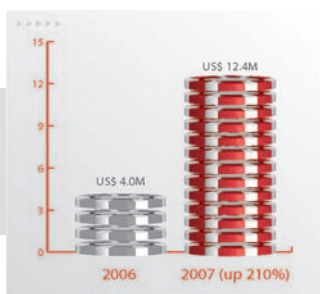
Regulatory Environment

The Group continues to monitor gambling legal and regulatory issues in each of its principal jurisdictions, liaising regularly with local lawyers and seeking guidance from UK lawyers who are experts in this sector. In particular, it continues to analyse the legal and regulatory frameworks applicable to gambling in Japan and China and remains prepared to discontinue any activities if the Directors form the view that such activities would be illegal. Furthermore, it is aware of the Indonesian government’s implementation of a new law in April 2008 which specifically addressed remote technology and the extraterritorial supply of gambling services into Indonesia. As such, the Group has considered it prudent to discontinue business in Indonesia and has initiated the process of an orderly shutdown.

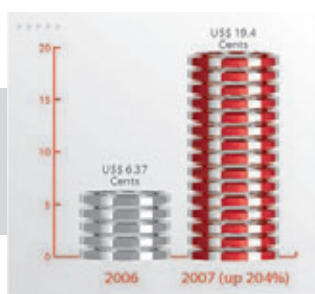
Strategy

The Group pursues a strategy aimed at delivering sustainable growth in earnings. The Company believes that the current fragmentation and growth of the Asian gambling market provides further opportunities for expanding the Group’s business. The key elements of this strategy are to:

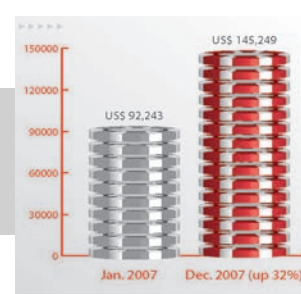
- continue to promote and market core casino and P2P products online;
- continue to develop both land-based and online business opportunities to maximise cross marketing and promotional opportunities;
- continue to develop and offer a market leading range of products and services utilising some of the industry’s most respected providers;



Profit Before Tax



Adjusted Earnings Per Share



Average Net Gaming per Day

- create a fully regulated and compliant sportsbook offering with an established presence in Asia;
- expand methods of product delivery through new technology channels;
- expand the Group's online sportsbook activities as more jurisdictions begin to licence and regulate online sports betting, leveraging off the Group's sports content interests;
- continue to leverage the Group's industry knowledge, understanding and relationships to provide ongoing deal flow in the gambling sector for corporate finance related activities; and
- launch and manage a 'Gaming and Gaming Related Technology Fund'.

“We have had an encouraging start to 2008 with Q1 net profit increasing 10 fold on Q1 2007”

Current Trading and Outlook

We have had an encouraging start to 2008 with Q1 net profit increasing to US\$4m, adjusted for share based awards of US\$0.5m and including net profit from gaming operations of US\$2.3m. This is a credible ten-fold increase on Q1 2007. Also in our first quarter, average daily casino turnover increased from US\$8.7 million to US\$11 million, an increase of 26% over the previous quarter's average; net gaming per day increased from US\$212,994 to US\$243,069, an increase of 14%.

In Q1 2008 poker fees continued to grow quickly: average daily rake and tournament fees combined show month on month growth of 20%, equating to 81% higher than that achieved in the last quarter of last year. Finally, the balance sheet as of 31 March 2008 shows cash balances at a healthy US\$82.4m and investments amounting to US\$13.5m.

We continue to pursue significant business opportunities across all regulated markets and the Board is highly confident regarding the Group's trading performance for 2008 and beyond.

BOARD OF DIRECTORS

Jong-Dae Lee

Non-Executive Chairman

Jong-Dae (“JD”) joined the Board of AsianLogic as Non-Executive Chairman, upon the Company’s admission to AIM. JD has been Chief Executive Officer of Hong Kong listed China HealthCare Holdings Limited (HK:0673) since 2003, the principal business of which is emergency assistance medical and managed healthcare services, and in which the Chinese Ministry of Health maintains a strategic stake. A lawyer by profession with a corporate finance background, JD was previously a partner with Coudert Brothers from 1988, interspersed with periods at Rabobank (Head of Korea) and Citigroup (Head of Hong Kong based Regional Structured Transactions Group).

JD received his Bachelor of Arts degree in Economics with honours from Haverford College, and has a Doctor of Jurisprudence degree from Georgetown University, in the US. JD is qualified to practice law in the District of Columbia and is a Registered Foreign Lawyer with The Law Society of Hong Kong.

Thomas Hall

Executive Vice Chairman and Co-Founder

Tom is one of the Group’s co-founders and former Chairman. He has had considerable dealings with gambling operators in both the traditional land-based environment and the online sector.

Tom is a former Chief Executive Officer and currently Business Development Director of Playtech Limited (AIM:PTEC). Since becoming Business Development Director of Playtech, Tom has been responsible for overseeing their global customer growth and the development of customised software solutions for the Asian marketplace. Tom also sits as a non-executive director of a number of gambling and technology companies. Tom is a regular key-note speaker at gambling conferences and investor forums around the world.

From 1995 until he joined AsianLogic in 2002, Tom was Chief Executive Officer of TTR Strategic Holdings Limited, an Asia Pacific focused financial services group, and subsequently Chief Executive Officer of its data processing associate, NAV Limited. Prior to that, he worked in Swiss private banking and private client financial services in the UK and Hong Kong.

Christopher Parker

Chief Executive Officer and Co-Founder

Chris was a co-founder of the Group and joined the business in 2005 as Chief Executive Officer, where he has overseen the rapid expansion of the Group’s business activities and profitability. Prior to joining the Group, Chris served in the British Army and worked in the British Civil Service.

In 1994, he left government service and joined the Tresidder Tuohy Group of Hong Kong. By 1999, Chris was appointed Chief Executive Officer of the group, which quickly became one of the leading investment advisory firms in the Region.

Under his leadership, the Company grew to handling over US\$300 million of funds under management and a further US\$1.5 billion funds under administration.

Chi Kan Tang

Global Business Development Director and Co-Founder

Kan is a Hong Kong born, Canadian-educated accountant with extensive experience in the online gambling sector and live casino video streaming. Kan joined the Group in 2003 and was one of the three founder shareholders in the business. Initially he was responsible for the financial and operational structuring of the Group and oversaw the financial control, business appraisal and system development.

More recently, he acted as interim Chief Financial Officer of CY Foundation Group Limited, immediately prior to the Group’s successful Hong Kong main board re-listing and US\$130m fund raising. He returned to AsianLogic after 6 months and resumed his Board responsibilities as Global Business Development Director.

The early part of his career was spent predominantly in the audit divisions of Arthur Andersen and KPMG in Canada. In 2001, he moved into online gaming working with the operators of the Stanley Ho franchise (DrHo888) who were pioneers of the online live video stream casino gaming concept.

During this period he helped establish many of the operational and reporting live videostream standards that govern this form of gaming today. As well as a qualified Chartered Accountant, Kan is a qualified CFA.

Robert Evans

Chief Operating Officer

Rob has been in Asia since the 1980s where he has had extensive experience in the advertising world as a Finance Director. Rob joined the Group in early 2007 to become its Chief Operating Officer. Rob originates from New Zealand and has a strong finance and systems background. His current responsibilities at AsianLogic encompass business development, strategic planning and the implementation of policies, procedures and controls that ensure operations and growth are managed to meet the Group's corporate and commercial objectives.

Rob first worked as an accountant for Newland Motors, a subsidiary of Ford Motors, before entering the world of advertising when he joined Adventure Advertising from 1985 to 1989 as its accountant and Company Secretary. In 1989, he moved to Tokyo and joined Leo Burnett – Kyodo Co. Ltd. as its Assistant Finance Director, where he stayed until 1998. After a brief stint as a consultant for Leo Burnett Asia Pacific, he relocated to Singapore where he was employed by Leo Burnett as Finance Director of its three business units in Singapore – Leo Burnett, Starcom and Arc Worldwide.

Gary Underwood

Chief Financial Officer

Gary joined the Group as Chief Financial Officer in July 2006. He started his career as an audit manager with Pannell Kerr Forster in Nottingham.

In 1994, he moved to Hong Kong and joined Ernst & Young as a senior manager in their Private Business Group. In 1996 he joined KPMG, where he became Country Director of their offices in Hanoi and Ho Chi Minh City in Vietnam. After KPMG, he returned to Hong Kong in 1998 as the Chief Operating Officer of BSC Limited, a beauty, health and spa group of companies. He then worked as the Strategic Planning and Business Development Director of Lark International Limited, a private group of companies with operations in cinema exhibition, film distribution and production, ticketing, garments, restaurants and property.

His most recent posting prior to joining the Group was in Malaysia as the Finance Director and Company Secretary of Leo Burnett Advertising Sdn Bhd. Gary is a Chartered Accountant and he has a Business Studies degree from the Nottingham Trent University in the UK.

Itamar Shamshins

Chief Technology Officer

Itamar is the Group's newly-appointed Chief Technology Officer. Prior to joining AsianLogic, he was the Technologies Division Manager of Extreme Technologies Ltd., and was responsible for providing software and integration services for many corporations.

He also has extensive experience in managing software development and web-based assets for one of the largest internet service provider and telecommunications companies in Israel.

Itamar holds a degree in Computer Science and is also highly experienced in systems engineering. He was a regular lecturer at colleges in Israel.

Jonathan Hubbard

Non-Executive Director

Jonathan joined the Board of AsianLogic as Non-executive Director, upon the Company's admission to AIM. Jonathan is currently serving as Managing Director of KCS Services Limited, an advisory firm specialising in client fiduciary services.

Jonathan was previously with HSBC for 20 years, latterly serving as Managing Director HSBC Trustee (Hong Kong) from 1994 to 2001 and previously serving as Global Head of Trust and Chief Executive Officer of Wealth Solutions HSBC Private Bank. Jonathan is a qualified solicitor.

CORPORATE GOVERNANCE

The Company recognises the importance of the principles of good corporate governance and the Board emphasises its commitment to maintaining high standards at all times. To this end, the Company has appointed two Non Executive Directors and intends to appoint more as the Company grows.

The Board comprises of six Executive Directors, and with the Non Executives, meets on a monthly basis to consider a formal schedule of matters including Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of the Company, its code of conduct, annual budget and all capital expenditure programmes. Directors are able to take independent professional advice in the furtherance of their duties.

The Board delegates clearly defined powers to its Audit, Remuneration and Nomination Committees. The minutes of each Committee are circulated to and reviewed by the Board.

The Audit Committee is chaired by Jong-Dae Lee. The Committee intends to meet at least three times a year. The duties of the Committee include monitoring the Auditor's performance and reviewing accounting policies and financial reporting procedures. The Committee prepares a summary of its work, which is included in the Company's annual report.

The Remuneration Committee is chaired by Jonathan Hubbard and will meet at least twice a year. The Remuneration Committee considers the terms of employment and overall remuneration of the Executive Directors and senior management team which includes salaries, share options, incentive payments and performance related pay. The remuneration of Non-Executive Directors is determined by the Board.

The Nomination Committee is chaired by Jong-Dae Lee. The Committee is responsible for reviewing the size, structure and composition of the Board, succession planning, the appointment of replacement and/or additional Directors and for making the appropriate recommendations to the Board.

The Board is committed to an on-going evaluation process of itself and its committees to assess their performance and identify areas in which their effectiveness, policies and processes might be enhanced. The Non-Executive Directors will undertake a review each year of the performance of individual Directors.

The Directors are available to meet shareholders throughout the year and shareholders are encouraged to attend the Annual General Meeting at which the Chairman will present the key highlights of the Company's performance and where shareholders can meet the Board and have their questions answered.

DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report for the year ended 31 December 2007.

Principal activities

AsianLogic is an active participant in the online and land-based gaming industry with a particular focus on the Asia Pacific markets. The Group is involved in the development, operation, management and/or marketing of online casinos, online poker, multiplayer P2P and Asian games, online and land-based slot machines and server-based gaming, including live videostreaming casino gaming across the Region. As a consequence of its activities and network in the Region, it has developed and maintains a corporate advisory team specialising in the gaming sector.

Business review

A review of the Group's activities and future developments and other matters material to the appreciation of the Group's financial position are contained in the statements of the Chairman, Vice Chairman and Chief Executive Officer at the beginning of this report. A description of the Group's financial risk management objectives and policies and its exposure to price, credit liquidity and cash-flow risk is contained in note 26 to the consolidated accounts on pages 51-52.

Profit for the financial year end and the dividend

The results for the year are shown in the consolidated income statement on page 17.

The Directors do not propose a final Dividend for the year ended 31 December 2007. As set out in the admission document it is envisaged that the Company will pay in the future an interim dividend in October and a final dividend in the following April of each year.

Share capital

The authorised and issued share capital of the Company, together with the details of the shares allotted during the period, are shown in note 24 to the financial statements.

Major shareholders

As at 31 December 2007, the following notifications have been received from holders (other than the Directors) of material interests in 3% or more of the Company's issued share capital:

	<i>Number of shares</i>	<i>Percentage of issued share capital</i>
Everest Capital Management	13,233,820	12.00%
Strata Capital Management	11,469,311	10.40%
Golden Aquila Holdings	7,932,036	7.19%
Playtech Limited	7,130,000	6.47%
Tryst International	5,293,735	4.80%
Cheviot Asset Management	4,993,562	4.53%
Oceanview Consultants Limited	3,786,134	3.43%
Artemis Fund Management Limited	3,308,455	3.00%

Directors

The following were Directors during the year:

Thomas Alexej Hall	23 November 2007
Christopher John Parker	23 November 2007
Chi Kan Tang	23 November 2007
Gary Underwood	23 November 2007
Robert Gregg Evans	27 November 2007
Itamar Shamshins	27 November 2007
Jong-Dae Lee	28 December 2007
Jonathan Hubbard	28 December 2007

All the Directors, as required by the Articles of Association, offer themselves for re-election at the forthcoming Annual General Meeting

Directors interests

The interests of the Directors in shares of the Company are as follows:

	<i>Number of shares</i>	<i>Percentage of issued share capital</i>
Thomas Alexej Hall	17,010,000	15.42%
Christopher John Parker	11,409,797	10.35%
Chi Kan Tang	2,030,121	1.84%
Robert Gregg Evans	531,087	0.48%
Gary Underwood	162,753	0.15%
Itamar Shamshins	128,489	0.12%

Interest of Directors in options

	<i>Number of ordinary shares under option</i>	<i>Date of grant</i>	<i>Exercise price per ordinary share</i>	<i>Earliest exercise date</i>	<i>Expiry of exercise period</i>
Jong-Dae Lee	10,500	1 January 2008	£1.1162	1 January 2009	1 January 2018
Jong-Dae Lee	21,000	1 January 2008	£1.1162	1 January 2010	1 January 2018
Jong-Dae Lee	38,500	1 January 2008	£1.1162	1 January 2011	1 January 2018
Jonathan Hubbard	10,500	1 January 2008	£1.1162	1 January 2009	1 January 2018
Jonathan Hubbard	21,000	1 January 2008	£1.1162	1 January 2010	1 January 2018
Jonathan Hubbard	38,500	1 January 2008	£1.1162	1 January 2011	1 January 2018

Payment of suppliers

It is the Company's policy to pay suppliers in accordance with the agreed payment terms provided that the invoice is properly presented and not subject to dispute.

Financial instruments

The Company does not enter into financial instruments for speculative trades.

Political donations and charitable giving

The Company made no political or charitable donations during the year ended 31 December 2007.

Going concern

The Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of the information

Auditors

Baker Tilly Hong Kong Limited have indicated their willingness to continue in office and a resolution concerning their reappointment as Auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at Baker Tilly Hong Kong Limited, 12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 27 June, 2008 at 10:00 am (Hong Kong time). The Board recommend that you vote in favour of all the proposed resolutions.

The ordinary business at that meeting will be the laying before the Company of the report and accounts, the re-election of Directors, the re-election of Auditors and the setting of their fees.

Approved by the Board and signed on behalf of the Board

Robert Gregg Evans

Chief Operating Officer and Company Secretary



BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

香港天華會計師事務所有限公司

12/E, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASIANLOGIC LIMITED

(Incorporated in British Virgin Islands with limited liability)

We have audited the consolidated financial statements of AsianLogic Limited (the "Company") set out on pages 17 to 58, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we have considered the adequacy of, and draw your attention to the disclosures made in the going concern accounting policy, contingent liability and taxation notes regarding:

- The implications of, and uncertainties arising from, legal and fiscal developments concerning online gambling and related activities in the territories in which the Group operates. There is uncertainty as to the impact such developments could have on the Group;
- The fact that the Group is heavily dependent on Playtech Limited, a related party, for the use of its software. The Group has minimal business planning and currently has no disaster recovery site for any of its operations.

The going concern accounting policy, contingent liability and taxation notes include a statement that the Directors do not consider it probable that a material liability or impairment in the carrying value of assets will arise as a result of any of the above matters. The financial information does not include any adjustments that would result if the Group were to be unable to continue as a going concern.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 29 April 2008

Andrew David Ross

Practising Certificate number P01183

FINANCIAL STATEMENTS

Consolidated Income Statement

	<i>Note</i>	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000 (Restated)</i>
Continuing Operations			
Revenue	5	54,314	27,787
Cost of sales		(48,765)	(24,053)
Gross profit		5,549	3,734
Other revenue	6	2,475	1,851
Gain on disposal of an associated company	17	4,050	-
Income from investment and corporate finance activities	5	6,086	2,515
Distribution costs		(563)	(158)
Administrative expenses		(1,872)	(1,637)
Share based payments	24 (b)	(4,594)	-
Other operating expenses		(3,257)	(2,279)
Operating profit	7	7,874	4,026
Income tax	9	(23)	(14)
Profit from continuing operations		7,851	4,012
Discontinued operations:			
Profit from discontinued operations	5, 10	-	213
Profit for the year		7,851	4,255
Attributable to			
Shareholders		7,851	4,225
Minority interests	11	-	-
Earnings per share			
Continuing operations			
Basic and diluted	12	12.2 cents	6.37 cents
Continuing and discontinued operations			
Basic and diluted	12	12.2 cents	6.71 cents

The notes on pages 21 to 58 form part of these financial statements.

Consolidated Balance Sheet

	<i>Note</i>	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000 (Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,403	1,057
Intangible assets	15	3,890	1,285
Associates	17	800	-
Available for sale financial assets	18	16,385	7,326
		22,478	9,668
CURRENT ASSETS			
Inventories	19	9	7
Trade and other receivables	20	9,170	2,661
Amounts due from related parties	30	263	1,684
Cash and cash equivalents	21	105,731	1,267
		115,173	5,619
CURRENT LIABILITIES			
Trade and other payables	22	4,868	2,189
Amounts due to related parties	30	24,291	155
Income tax payable		26	14
		29,185	2,358
NET CURRENT ASSETS		85,988	3,261
NON-CURRENT LIABILITIES			
Provision for retirement benefit obligations	23	48	21
		108,418	12,908
Represented by:			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Paid in capital	24	84,603	6
Reserves	24	23,815	12,902
Equity attributable to shareholders		108,418	12,908
Minority interest	11	-	-
TOTAL EQUITY		108,418	12,908

The notes on pages 21 to 58 form part of these financial statements.

Consolidated Statement of Changes in Equity

	<i>Note</i>	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000 (Restated)</i>
Total equity, beginning of year	24	12,908	3,187
Changes in fair values of available for sale financial assets	18	8,502	6,806
Exchange differences arising on translation of overseas subsidiaries' financial information		(300)	(16)
Net gain recognised directly in equity		8,202	6,790
Net profit for the year		7,851	4,225
Total recognised gain for the year		16,053	11,015
Issue of share prior to IPO		1	-
Share repurchase		(19,669)	-
IPO proceeds		108,177	-
Expenses incurred for listing		(8,499)	-
Capital contributions		-	18
Shared based payments	24(b)	4,594	-
Realisation of reserves upon disposal of available for sale financial assets		(3,664)	-
Dividends	13	(1,483)	(1,312)
		95,510	9,721
Total equity, end of year		108,418	12,908

The notes on pages 21 to 58 form part of these financial statements.

Consolidated Cash Flow Statement

	<i>Note</i>	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000 (Restated)</i>
OPERATING ACTIVITIES			
Cash generated from operations	25	2,793	974
Income tax paid		(11)	(3)
Net cash generated from operating activities		2,782	971
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries, net of cash disposed		-	(170)
Acquisition of available for sale financial assets		(515)	-
Acquisition of interests in associates		(800)	-
Dividends received		155	340
Proceeds from disposals of available for sale financial assets		6,275	2,708
Proceeds from disposals of property, plant and equipment		-	37
Purchases of intangible assets		(2,995)	(1,225)
Purchases of property, plant and equipment		(933)	(817)
Net cash generated from investing activities		1,187	873
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions		-	18
Dividends paid to shareholders		(1,483)	(1,312)
Proceeds from initial public offering		108,177	-
Share issue costs		(6,199)	-
Net cash generated from/(used in) financing activities		100,495	(1,294)
NET INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING AND DISCONTINUED OPERATIONS			
		104,464	550
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		1,267	706
Effect of foreign exchange rate changes		-	11
CASH AND CASH EQUIVALENTS FOR CONTINUING AND DISCONTINUED ACTIVITIES AT THE END OF THE YEAR			
		105,731	1,267

The notes on pages 21 to 58 form part of these financial statements.

Notes to the Accounts

1. Principal activities and general information

Introduction

AsianLogic Limited (“the Company”) is a Company incorporated in the British Virgin Islands and has its registered office in Mill Mall, Suite 6, Wickhams Cay, P O Box 3085, Road Town, Tortola, British Virgin Islands and it exerts its management control from Hong Kong.

The Company and its subsidiaries (together the “Group”) is an active participant in the online and land-based gaming industry with a particular focus on the Asia Pacific markets. The Group is involved in the development, operation, management and/or marketing of online casinos, online poker, multiplayer P2P and Asian Games, online and land-based sports betting, land-based slot machine and server-based gaming, including live video stream casino gaming across the Region. The Group has developed and maintained a corporate advisory team specialising in the gaming sector.

The principal activities of the Group subsidiaries during the financial year ended 31 December 2007 are disclosed in note 16.

Development of the Group

The Company was incorporated on 12 June 2007 and on 12 December 2007, acquired the entire share capital of Emphasis Services Limited.

As a result of this transaction, the shareholders in Emphasis Services Limited received shares in the Company in direct proportion to their original shareholding in Emphasis Services Limited.

On 28 December 2007, the Company gained Admission to the AIM London Stock Exchange.

2. Statement of compliance and basis of preparation of accounts

(a) Statement of compliance

The Group has adopted certain new and revised IFRS that are relevant to its operations and effective for the current accounting period. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, Financial instruments: Disclosures, and the amendment to IAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements included expanded disclosures regarding the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 26.

Both IFRS 3 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period are disclosed in note 33.

(b) Basis of preparation of accounts

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) (including International Accounting Standards (“IAS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial statements for the financial years ended 31 December 2007 and 2006 have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments.

2. Statement of compliance and basis of preparation of accounts (continued)

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Going concern

The Group has minimal business continuity planning and no disaster recovery procedures or site for any of the Group's operations. If a major disaster such as an earthquake were to close down the Philippines data centre, this would result in a loss of business until such time that the software became operational again.

The Directors are implementing steps to introduce disaster recovery procedures and a disaster recovery site and have formed a judgement that there is a reasonable expectation that the Company has adequate resources and procedures to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Group is currently heavily dependent on Playtech Limited, a related party (due to Thomas Alexej Hall being a common Executive Director of both companies) for the use of its software. If Playtech ceased providing the Group with software or connectivity, then the Group's operations would be significantly, adversely affected. A new five year contract was signed with Playtech on 11 December 2007. The terms of the agreement include a notice period of 120 days which can be given just prior to the five years by Playtech. If Playtech gave the minimum required notice period of termination, this may not permit the Group sufficient time to implement alternative IT measures and could result in a loss of software provision to its customers.

The Directors are formulating an action plan on how they would implement the services of an alternative provider and have formed a judgement that there is a reasonable expectation that the Company has adequate resources and procedures to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Note 27 makes reference to risks and uncertainties surrounding the regulatory, fiscal and operational position of the Group which may give rise to possible financial liabilities. If these possible liabilities become probable, this would call into question the going concern status of the Group. At the time of preparing these financial statements, however, these liabilities are only possible and therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors have identified that there are risks associated with political and governmental instability in the territories in which they operate, including but not limited to, nationalisation, taking without fair compensation, terrorism, war or currency restrictions. These risks could have a material adverse effect on the Group and would call into question the going concern status of the Group. At the time of preparing these financial statements, however, these risks are only possible and therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors do not consider it possible that a material liability or impairment in the carrying value of the Group's assets will arise as a result of the above matters referred to in this note or the contingent liability note.

3. Principal accounting policies

(a) Basis of consolidation

The consolidated financial statements comprises of the financial information of AsianLogic Limited and entities controlled by the Company (its subsidiaries).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Principal accounting policies (continued)

Where necessary, adjustments are made to the accounts of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

(b) Business combinations

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

- Acquisition of businesses from companies under common control

Under IFRS 3 "Business Combinations", the Reverse Acquisition, after taking into account the issuance of the Company's shares for acquiring the entire share capital of Emphasis Services Limited, should constitute a reverse acquisition from an accounting perspective since Emphasis Services Limited has become the controlling shareholder of the Company after the Reverse Acquisition. For accounting purposes, Emphasis Services Limited is regarded as the acquirer while the Company and its subsidiaries before the Reverse Acquisition are deemed to have been acquired by Emphasis Services Limited. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of Emphasis Services Limited and its subsidiaries.

- Other business combination

The purchase method of accounting is used to account for the acquisition of subsidiaries. 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 initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired, being discount on acquisitions is recognised directly in the income statement.

(c) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of Group associates are incorporated in the financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at the Group's share of the net assets of the associate. Losses of the associates in excess of the Group's interest in those associates are recognised to the extent that the Group has a legal or contractual obligation to do so.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate acquired at the date of acquisition, is recognised as goodwill. Any deficiency of the cost of acquisition below the

3. Principal accounting policies (continued)

Group's share of the fair values of identifiable net assets of the associate or joint venture at the date of acquisition, being discount on acquisition is recognised in the income statement.

Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment

(d) Revenue recognition

Live gaming video streaming services income is accounted for in accordance with the terms of the underlying management contracts.

Net wins from casino gaming are recognised upon completion of the relevant bet. The contractual position in relation to credit betting enables the Group to recognise 100 percent of the net win on a gaming transaction with the associated fee costs to the Group's agents being recognised in direct costs.

Revenue from the provision of consultancy and technical services is recognised when the services are rendered.

Agency income relates to reseller fees and marketing commissions from the Group's casino gaming software provider and is recognised when the services are rendered.

Interest income is recognised on a time apportioned basis.

Dividend income is recognised when the right to receive payment is established.

(e) 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.

Segment revenue, 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 and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation 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 period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

(f) Share-based payments

Certain employees (including Directors) of the Group receive remuneration in the form of equity settled share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Certain other third parties have received equity settled share-based payments in exchange for future services/benefits provided to the Company.

The cost of equity settled transactions is measured by reference to the fair value at the date on which they were granted. The fair value of the share based payments was assessed by an independent professional valuer.

The cost of equity settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become

3. Principal accounting policies (continued)

fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Group at that date, based on the best available estimate of the number of equity instruments will ultimately vest.

(g) Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight-line basis over the relevant lease terms.

(h) Retirement benefit costs

The Group operates defined contribution retirement schemes in accordance with the relevant regulations in the jurisdictions in which certain Group companies operate. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes. Subsidiaries operating in the Philippines have not established any formal retirement plans. However, they regularly accrue the estimated cost of retirement benefit required by the provision of Republic Act (R.A.) No. 7641 ("Retirement Law").

(i) Income tax

Income tax for the years comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred taxation is provided in full, where material, using the liability method, on temporary differences. Deferred tax assets arise from unused tax losses and tax credits.

The amount of deferred tax recognised is based upon the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates (and laws) that have been enacted or substantively enacted by at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which material temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future to allow the related tax benefit to be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment losses. Cost represents the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the enterprise and the cost of the item can be measured reliably.

3. Principal accounting policies (continued)

All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred. Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives, on the straight line basis, at the following annual rates:

Computer and office equipment	20%-33 $\frac{1}{3}$ %
Furniture and fixtures	20%
Leasehold improvements	shorter of 20%-50% and the relevant lease term
Motor vehicles	20%-33 $\frac{1}{3}$ %

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of other property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, 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 assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(k) Intangible assets – software, licences and patents

The initial costs of acquiring patents or trademarks are capitalised and amortised on a straight-line basis over their expected useful lives of 3 to 17 years. Costs that do not meet the recognition and measurement criteria of IAS 38 “Intangible Assets” are charged to the income statement.

The costs of acquiring websites are measured at initial recognition at fair value. The websites with indefinite useful lives are subsequently carried at cost less accumulated impairment losses, if any, which are not amortised but are tested for impairment annually.

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 on a straight line basis over their expected useful lives of two to five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will generate economic benefits, exceeding costs, beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

An internally-generated intangible asset arising from Group’s business development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The product or process is technically and commercially feasible; and
- Sufficient resources are available to complete the development and to either sell or use the asset.

3. Principal accounting policies (continued)

Computer software development costs that are recognised as assets are amortised on a straight line basis over a period not exceeding three years.

Amortisation of intangible assets is classified within administrative expenses.

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. Such assets are reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in full. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of 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 the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

(m) 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 subsidiary or associate.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment annually. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

If the cost of acquisition is less than the fair value of net identifiable assets of the acquired subsidiary or associate, the difference is recognised immediately in the consolidated income statement. Gain or loss on disposal of a subsidiary or an associate includes the carrying amount of goodwill relating to the entity sold.

(n) Inventories

Inventories are stated at the lower of acquisition cost and net realisable value on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less selling expenses.

(o) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Principal accounting policies (continued)

(p) Investments

Investments are recognised or eliminated on the date the Company commits to purchase or sell the investments or they expire. Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Other investments in securities, being those held for non-trading purposes, are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

When there is objective evidence that available-for-sale securities are impaired, 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 equity securities 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.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Security deposits relate to deposits paid by the Group to lessors in accordance with the office lease agreements and are recognised at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

Collateral deposits received relate to deposits received from Group agents, and are recognised at cost.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Principal accounting policies (continued)

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company 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.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- (ii) the Company and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Company or a joint venture in which the Company is a venturer;
- (iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Share capital

Ordinary and subscriber shares are classified as equity.

Incremental costs directly attributable to the issue of new shares in equity are shown as a deduction, net of tax, from the proceeds.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

- the post-tax profit or loss of the discontinued operation, and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

3. Principal accounting policies (continued)

(x) Translation of foreign currencies

(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 United States 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.

(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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average 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;
- 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 recognised in the income statement as part of the gain or loss on sale.

4. Critical accounting estimates and areas of judgement

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying Group's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 period are discussed below:

(i) Share based payments

The Group makes equity-settled share based payments to certain employees and other third parties. The fair value, as determined at the grant date, is expensed over the vesting period. The fair value is calculated using the appropriate fair value models with the estimated level of vesting being reviewed annually by management. The key assumptions for the models are set out in note 24(b).

4. Critical accounting estimates and areas of judgement (continued)

(ii) Useful lives and impairment of property, plant and equipment

Group management determines the estimated useful lives and related depreciation charge for property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function. The Directors will revise the depreciation charges where the useful lives of assets differ to those previously estimated, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss for property, plant and equipment is recognised to the extent by which the carrying amount exceeds their recoverable amount in accordance with the accounting policy stated above. The recoverable amounts are determined based on fair values less the related selling costs, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the related disposal costs.

(iii) Valuation of the carrying amounts of intangible assets

Group management evaluates at each balance sheet date, whether there is any indication that the carrying amounts of intangible assets, primarily software, licences and patents, may be impaired. An impairment loss is recognised for the excess of the carrying amount of such assets over their recoverable amounts. The value in use is the discounted present value of the cash flows expected to arise from the continuing use of intangible assets and cash arising from disposal at the end of their useful lives.

The cash flow estimates are based on the terms and period of existing software and licence agreements. Modifications to the terms of the relevant agreements that result in shorter licencing periods than previously agreed, and/or those that result in a reduction to agreed rates, will result in a lower recoverable amount (if the discount rate used is not changed) which may, in turn, render the recoverable amounts less than the carrying amounts. In such circumstances an impairment loss would be recognised.

(iv) Provisions

The estimate of the probable costs for the resolution of possible third party claims has been developed in consultation with independent consultants handling the Group's defence on these matters and is based upon an analysis of potential results. When management and its consultants believe that the eventual liabilities under these claims, if any, will not have a material effect on the Group's financial statements, no provision for probable losses is recognised in the Group's financial statements.

(v) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related taxation payment. There are certain transactions for which the ultimate tax determination is uncertain. Where a final tax outcome is different from the amount initially recorded, such differences will impact income and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses and certain temporary differences, depending on the management's expectation of future taxable profit that will be generated against which tax losses or temporary differences can be utilised. The outcome of their actual utilisation may be different.

5. Turnover

Segment information

i) Business segments

The Group's continuing operating gaming businesses are organised and managed separately as four principal segments according to the nature of the services provided and are set out below:

Casino gaming revenues	Casino gaming revenues from both online and land based gaming. This equates to net win generated from casino players.
Live gaming video streaming services	Live gaming video streaming services from the provision of services to casino licencees. This equates to a contracted flat fee of a contracted fee based on gaming volumes, plus royalties and share of tips.
Peer-to-peer (P2P) revenue	P2P revenues from the provision of poker rooms to players who play against each other. This equates to the rake generated on coordinating the poker offering and tournament fees.
Other	Consultancy fee income and technical support services income.

In prior years, the Group's system of internal reporting did not separate assets and liabilities by business segments. Therefore, the Directors are not able to disclose the assets and liabilities associated with each business segment. As the business of the Group has developed, the Group has been gradually transforming its management and control systems and will continue to monitor the appropriate provision of segmental information as required by IFRS.

Corporate finance

The Group is also an active investor in gaming-related businesses. Equity shareholdings are taken in both public and private companies. Income generated from these activities is separately disclosed as Income from Investment and Corporate Finance Activities and is not included directly in the following segmental analysis of revenue due to the Directors opinion that there are no directly attributable costs to this activity. The analysis of investment income is therefore separately presented at the end of the primary business segmental analysis.

The following tables present revenue and profit information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

2007	Continuing operations					Discontinued operations		Consolidated US\$'000
	Casino gaming revenue US\$'000	Live video streaming revenue US\$'000	P2P revenue US\$'000	Sub-total US\$'000	Others US\$'000	Total US\$'000	Others US\$'000	
Business Segment								
Segment revenue	50,138	2,616	1,164	53,918	396	54,314	-	54,314
Segment results	4,985	366	198	5,549	12,611	18,160	-	18,160
Unallocated expenses						(10,286)	-	(10,286)
Profit before income tax						7,874	-	7,874
Income tax						(23)	-	(23)
Profit for the year						7,851	-	7,851

5. Turnover (continued)

2006	Continuing operations					Discontinued operations		Consolidated US\$'000
	Casino gaming revenue US\$'000	Live video streaming revenue US\$'000	P2P revenue US\$'000	Sub-total US\$'000	Others US\$'000	Total US\$'000	Others US\$'000	
Business Segment								
Segment revenue	25,093	2,477	64	27,634	153	27,787	5	27,792
Segment results	3,970	723	(164)	4,529	4,518	9,047	213	9,260
Unallocated expenses						(5,021)	-	(5,021)
Profit before income tax						4,026	213	4,239
Income tax						(14)	-	(14)
Profit for the year						4,012	213	4,225

	2007 US\$'000	2006 US\$'000
Income from investment and corporate finance activities		
Dividend income	155	340
Gain on disposals of available for sale financial assets	5,931	2,175
	6,086	2,515

ii) Geographical segments

For geographical segments of the operating gaming business (and not corporate finance activities), revenue can be attributed to the following three principal geographical areas of the world based on customer orientation:

- Asia
- Europe
- Rest of the World

The following tables present revenue, results, expenditure and certain asset information regarding the Group's geographical segments for the total of continuing and discontinued operations for the years ended 31 December 2007 and 2006.

2007	Asia (Continuing and Discontinued) US\$'000	Europe US\$'000	Rest of the World US\$'000	Total US\$'000
Geographical Segment				
Segment revenue	49,606	4,171	537	54,314
Segment results	17,880	220	60	18,160
Unallocated expenses				(10,286)
Profit before income tax				7,874
Income tax				(23)
Profit for the year				7,851

5. Turnover (continued)

2006	<i>Asia (Continuing and Discontinued) US\$'000</i>	<i>Europe US\$'000</i>	<i>Rest of the World US\$'000</i>	<i>Total US\$'000</i>
Geographical Segment				
Segment revenue	21,818	5,658	316	27,792
Segment results	8,891	312	57	9,260
Unallocated expenses				(5,021)
Profit before income tax				4,239
Income tax				(14)
Profit for the year				4,225

The associated operating costs of the discontinued business have not been allocated as the Group does not allocate overhead costs to the activities of each affiliate. Equally there are no separately identifiable assets or liabilities which can be attributed to each affiliate and therefore the Directors have not been able to disclose the assets and liabilities associated with the discontinued business. The Directors do not consider these assets and liabilities to be significant.

6. Other revenue

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
Agency income	1,511	1,300
Commission income	19	46
Consultancy income	-	30
Exchange gains	616	346
Sundry income	329	129
	2,475	1,851

7. Operating profit from continuing operations

Operating profit from continuing operations is stated after charging the following items:

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
Amortisation (see note 15)	389	104
Auditors' remuneration	164	67
Depreciation (see note 14)	692	455
Exchange gains	(616)	(346)
Impairment losses		
- Trade and other receivables (see note 20)	495	492
Rental charges under operating leases	323	238
Staff costs (see note 8)	3,713	2,485
	5,160	3,495

8. Staff costs

The average monthly numbers of employees, including executive Directors, for each of the Group's principal divisions are set out below:

	<i>Year ended 31 December 2007</i>	<i>Year ended 31 December 2006</i>
	<i>Number</i>	<i>Number</i>
Sales and Business Development	16	8
Marketing and Design	35	7
Customer Support	225	208
IT	27	35
Head office and administration	44	38
	347	296

The aggregate remuneration comprised:

	<i>Year ended 31 December 2007</i>	<i>Year ended 31 December 2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Salaries, wages and allowances	3,042	2,427
Social security costs	74	44
Shared based payments	586	-
Other pension costs	11	14
	3,713	2,485

The compensation of key management (see note 30) is set out as below:

	<i>Year ended 31 December 2007</i>	<i>Year ended 31 December 2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Salaries, wages and allowances	816	577
Share based payments	563	-
	1,379	577

9. Income tax

No provision for income tax has been made for the Company as the Group holding Company is not subject to tax on profits in the jurisdiction which it operates.

No provision for taxation has been made for the subsidiary incorporated in Hong Kong as the subsidiary has an estimated loss for Hong Kong profits tax purposes in the year.

No provision for income tax has been made for two subsidiaries incorporated in the British Virgin Islands namely Bayview Technologies Limited and S-Tech Limited, as these subsidiaries do not derive any taxable profits in the jurisdiction in which they operate.

No provision for income tax has been made for other subsidiaries incorporated overseas as the subsidiaries incurred losses during the year.

Philippine Cagayan Special Economic Zone and Freeport ("CSEZFP") tax is provided at the rate of 5% on the Philippine subsidiary's and branch's taxable profits, which is their gross income.

No deferred tax assets have been recognised in respect of the tax losses of the subsidiaries operating in Hong Kong and Cyprus, as it is not certain that future taxable profits will be available against which these losses can be utilised. The tax losses do not expire under the current tax legislation prevailing in either Hong Kong or Cyprus. Other temporary differences are not material at the balance sheet dates.

9. Income tax (continued)

A reconciliation between the Group's tax expense and accounting profit, at applicable tax rates, is set out below:

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
Operating profit (continuing and discontinued)	7,874	4,239
Notional tax on operating profit, calculated at domestic tax rate of 35% (2006: 35%)	2,756	1,484
Tax effect of different tax rates for foreign countries	22	46
Tax effect of non-deductible expenses	2,094	458
Tax effect of non-taxable revenue	(4,870)	(2,017)
Tax effect of unused tax losses not recognised	21	42
Tax effect of temporary differences not recognised	-	1
Actual tax expense	23	14

The Group is licenced by the Philippine Securities and Exchange Commission to establish a subsidiary Company and a branch, namely Bayview Technologies, Inc and S-Tech Limited Branch, in the Philippines primarily to engage in the business of gaming-related facilities and activities, including, but not limited to, online and interactive gaming video streaming facilities, including marketing, technical and customer support.

The subsidiary Company and the branch were registered as CSEZFP Enterprises. Both business addresses are as follows:

Cagayan Economic Zone and Freeport Complex, Centro, Sta Ana, Cagayan, Philippines.

Under these registrations, the subsidiary Company and the branch are beneficiaries of the incentives established under the CSEZFP. Pursuant to Republic Act 7922, otherwise known as 'Cagayan Special Economic Zone of 1995', Section 4 (c). As such no taxes, local or national, shall be imposed on business establishments operating within the Zone. In lieu of paying taxes, such business establishments shall pay and remit to the national government 5% of their gross income.

The Cagayan Economic Zone Authority ("CEZA") through First Cagayan Leisure & Resorts Corporation ("FCLRC") granted Interactive Gaming Licences ("IGLs") to the subsidiary Company, and to the branch, up to 6 November 2008 and 24 April 2008 respectively. The IGLs are renewable every year upon approval of CEZA and FCLRC.

10. Discontinued operations

The Group's payment processing companies were completely divested from the Group in December 2006 and a resultant profit of US\$213,000 was generated from the discontinued operating units.

11. Minority interests

The results for the financial periods have been wholly attributable to the shareholders of the parent undertaking. In accordance with IAS 27 'Consolidated and Separate Financial Statements' the excess losses applicable to minority over the minority's interest in the subsidiary's equity are allocated against the majority.

12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
Earnings		
Continuing operations		
Earnings for the purposes of basic and diluted earnings per share	7,851	4,012
Continuing and discontinued operations		
Earnings for the purposes of basic and diluted earnings per share	7,851	4,225
Discontinued operations		
Earnings for the purposes of basic and diluted earnings per share	-	213
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	64,117,373	62,960,000

The weighted average number of ordinary shares and earnings per share for 2006 have been restated for the impact of the share exchange of Emphasis Services Limited shares.

13. Dividends

During the year, a dividend of US\$235 per share amounting to US\$1,482,850 (2006: US\$207.86 per share amounting to US\$ 1,311,600) was declared and paid by Emphasis Services Limited being the year before admission to the AIM Market of The London Stock Exchange.

14. Property, plant and equipment

	<i>Computer and office equipment US\$'000</i>	<i>Furniture and fixtures US\$'000</i>	<i>Leasehold improvements US\$'000</i>	<i>Motor vehicles US\$'000</i>	<i>Total US\$'000</i>
Cost					
At 1 January 2006	519	109	332	43	1,003
Additions	575	104	114	24	817
Disposal of subsidiaries	(53)	-	-	-	(53)
Disposals	(35)	(9)	(18)	(11)	(73)
At 31 December 2006	1,006	204	428	56	1,694
Additions	653	65	134	81	933
Disposals	(28)	(12)	-	(41)	(81)
Exchange alignment	197	43	85	11	336
At 31 December 2007	1,828	300	647	107	2,882
Accumulated depreciation					
At 1 January 2006	186	12	24	14	236
Charge for the year	244	40	162	9	455
Disposal of subsidiaries	(18)	-	-	-	(18)
Written back on disposals	(29)	(1)	(2)	(4)	(36)
At 31 December 2006	383	51	184	19	637
Charge for the year	394	49	229	20	692
Written back on disposals	(16)	(6)	-	(21)	(43)
Exchange alignment	110	17	60	6	193
At 31 December 2007	871	111	473	24	1,479
Carrying amount					
At 31 December 2007	957	189	174	83	1,403
At 31 December 2006	623	153	244	37	1,057

15. Intangible assets

	<i>Software, licenses and patents US\$'000</i>	<i>Websites US\$'000</i>	<i>Total US\$'000</i>
Cost			
At 1 January 2006	388	-	388
Additions	1225	-	1225
Disposal of subsidiaries	(218)	-	(218)
At 31 December 2006	1,395	-	1,395
Additions	445	2,550	2,995
Exchange alignment	23	-	23
At 31 December 2007	1,863	2,550	4,413
Accumulated amortisation			
At 1 January 2006	6	-	6
Charge for the year	104	-	104
At 31 December 2006	110	-	110
Charge for the year	389	-	389
Exchange alignment	24	-	24
At 31 December 2007	523	-	523
Carrying amount			
At 31 December 2007	1,340	2,550	3,890
At 31 December 2006	1,285	-	1,285

Software, licences and patents comprise both internally generated intangible assets and other intangible assets. The carrying amount of the Playtech licence at 31 December 2007 and 2006 was US\$481,250 and US\$536,250, respectively. The licence is being amortised on a straight line basis over 10 years. All other intangible assets relate to internally generated software and other assets.

On 6 July 2007, ESL entered into an agreement with Geneva Group Limited to acquire their Zipang and 777Baby online gaming businesses for a consideration of US\$2,550,000, which may be adjusted depending upon the audited profit of Geneva for the period ended 30 June 2008. These websites are well known and established in the online gaming market. In the opinion of the Directors, these acquired websites are capable of generating positive cash flows indefinitely to the Group. Therefore, these websites are not amortised but are tested for impairment annually.

During 2007, receivables due from Laverock von Schoultz and Elberfield Management Limited representing deposits and other advances paid in relation to the sports book software being developed by the Group have been reclassified as intangible assets. No amortisation has yet been charged against these development costs as the software is not yet operational.

In the opinion of the Directors, there is no indication of impairment in the carrying amounts of the above intangible assets and the carrying amount approximates their fair value.

16. Subsidiaries

As at 31 December 2007 and 2006, the Company held interests in the share capital of the following subsidiary undertakings:

<i>Name</i>	<i>Country of incorporation</i>	<i>Percentage of equity share of capital held</i>		<i>Nature of business</i>
		<i>2007</i>	<i>2006</i>	
Asia Pacific Gaming Limited	Alderney	100%	100%	Provision of on-line gaming and related services
Bayview Technologies, Inc. #	Philippines	100%	100%	Provision of IT support, management and consultancy services
Bayview Technologies Limited	British Virgin Islands	100%	100%	Provision of on-line gaming and related services
Emphasis Services Limited	Turks & Caicos Islands	100%	-	Group investment holding Company
Gamebuilders Inc. #	Philippines	100%	-	Provision of slot machine and related services
Holmes Marketing Limited	British Virgin Islands	100%	100%	Dormant
Internet Sports Marketing Limited	Hong Kong	100%	100%	Provision of internet consultancy services
Interactive Asian Games Limited	British Virgin Islands	100%	100%	Dormant
Leisure and Entertainment NV*	Curacao	100%	-	Provision of on-line gaming and related services
Lhotse Enterprises Limited	British Virgin Islands	100%	100%	Investment holding
Linkway Services Limited*	British Virgin Islands	100%	-	Provision of transaction processing services
Mahjong Corporation	British Virgin Islands	100%	100%	Investment holding
Orient Capital Ventures, Inc.#	Philippines	60%	60%	Provision of sports betting services
Orient Capital Ventures Limited	British Virgin Islands	60%	60%	Investment holding
Osmila NV*	Curacao	100%	-	Dormant
Resume Investments Limited #	Cyprus	100%	100%	Provision of transaction processing services
S-Tech Limited	British Virgin Islands	100%	100%	Provision of live gaming video streaming services
Slotlogic Limited*	British Virgin Islands	100%	-	Investment holding
Video Technology Limited	Turks & Caicos Islands	100%	100%	Dormant
Village Enterprises Limited	British Virgin Islands	100%	100%	Dormant

These companies are audited by certified public accountants other than Baker Tilly Hong Kong Limited

* These companies were newly incorporated during the year

17. Associates

During the year, the Group acquired and disposed of certain material associates. The movements and details are disclosed below:

	<i>US\$'000</i>
Additions	7,280
Transferred to available for sale financial assets	(4,050)
Disposals	(2,430)
At 31 December 2007	800

The Group held two associates as at the year end.

The Group has a 25% equity investment in APE Software Limited a Company incorporated in the British Virgin Islands. The Company has contributed US\$750,000 in seed capital to develop network gaming solutions and provide a platform for the software to be played online with a specific focus on Asia. The software is still under development.

The Company acquired a 20% stake in Must Read Publications Limited, a Company incorporated in Macau for US\$50,000.

During the year the Group invested in CY Foundation Group Limited with two related parties. To effect this transaction a special purpose vehicle, Copernicus Trading Limited, was set up ("Copernicus"). The Group effectively took a 50% equity interest in Copernicus for a consideration of HK\$50,625,000 (approximately US\$6,481,000) in the form of a shareholder's loan. Subsequently, 18.75% was disposed of for HK\$50,625,000 (approximately US\$6,481,000). When the Copernicus transaction was completed and the Special Purpose Vehicle was wound down the Group generated a gain on disposal of US\$4,050,000.

There were no sharing of associates results for the year as both associates are in their start-up stage with no material transactions. The underlying value of interests in associates was, in the opinion of the Directors, not less than the carrying value as at the year end.

18. Available for sale financial assets

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
At 1 January	7,326	1,053
Additions	515	-
Transferred from associates	4,050	-
Disposals	(4,008)	(533)
Net gains transferred to equity	8,502	6,806
At 31 December	16,385	7,326

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Listed in the Philippines	-	218
Listed in the United Kingdom	5,453	7,108
Listed in Hong Kong	10,417	-
Unlisted	515	-
	16,385	7,326

18. Available for sale financial assets (continued)

Equity securities listed in the Philippines representing an investment in Leisure & Resorts World Corporation, a Company incorporated in the Philippines with limited liability and listed on the Philippines Stock Exchange were sold during the year.

Equity securities listed in the United Kingdom represents an investment in Playtech Limited, a related Company incorporated in the British Virgin Islands with limited liability and listed on AIM London Stock Exchange.

Equity securities listed in Hong Kong represent an investment in CY Foundation Group Limited, a Company listed on the Hong Kong Stock Exchange.

Unlisted securities represent an investment into StatsOnSport Limited a private limited liability Company incorporated in England.

At the date of the Annual Report, the closing price of listed shares in CY Foundation Group Limited was HK\$34 cents compared to HK\$65 cents as at 31 December 2007. This has resulted in the fair value of these shares decreasing by approximately US\$4,900,000. This reduction in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at the balance sheet date.

During the year ended 31 December 2007 and 2006, the increase in fair value of the available for sale equity securities amounting to approximately US\$8,502,000 and US\$6,806,000 respectively were recognised directly in equity.

Listed equity securities were stated at fair values based on their quoted market prices. Unlisted equity securities were stated at cost, in which the Directors considered to be approximate to fair value.

The maximum exposure to price risk at the balance sheet date is the carrying amount of the equity investments.

Playtech Limited and its affiliated companies are related by virtue of Mr. Thomas Alexej Hall being a common shareholder and director, as well as Playtech Limited and the Group being shareholders in each other (see note 30).

19. Inventories

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Gaming materials, at cost	9	7

The Directors consider that the carrying amount of inventories approximates their fair value.

20. Trade and other receivables

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Trade receivables	1,903	1,183
Trade deposits	334	183
Security deposits	278	238
Prepayments and other receivables	6,655	1,057
	9,170	2,661

20. Trade and other receivables (continued)

The majority of the Group's sales are entered into on credit terms ranging from 7 to 60 days. The ageing profile of trade receivables, as at the balance sheet date, is set out below:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Within 30 days	1,045	564
31-60 days	513	210
61-90 days	120	67
Over 90 days	605	575
	2,283	1,416
Less: provision for impairment losses	(380)	(233)
	1,903	1,183

At the balance sheet date, trade receivables of approximately US\$281,000 (2006: US\$619,000) were past due but not impaired. These balances relate to certain agents and independent customers for whom there is no recent history of default. The ageing profile of these balances as at the balance sheet date is set out below:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Up to 60 days	41	210
61-90 days	103	67
Over 90 days	137	342
	281	619

The nature of the contractual relationship between the Group and its agents necessitates income and expenditure from gaming transactions to be stated on a gross basis in the income statement. The method by which the Group collects revenue from its customers and its agents differs from the contractual position so that receivables from agents are stated after deducting fees payable to agents. As there is no formal set off of these balances, the analysis below shows the gross composition of amounts due from customers and amounts due to agents:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Due from customers	3,071	3,965
Due to agents	(2,211)	(3,172)
Balances included in trade receivables	860	793

Movements on the provision for impairment losses of trade receivables is set out below:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Balance brought forward	233	357
Provision for impairment losses	380	492
Written off as uncollectible	(233)	(616)
Balance carried forward	380	233

20. Trade and other receivables (continued)

The creation and release of provisions for impairment losses have been included in other operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the debt.

The maximum exposure to credit risk at the balance sheet date is the carrying amount of trade receivables, net of collateral deposits received by the Group as security, amounting to approximately US\$325,000 and US\$457,000 for 2007 and 2006 respectively.

Security deposits

Included in security deposits is an amount of US\$9,860 which pertains to a time deposit placed in a Philippine local bank for a term of 360 days at an interest rate of 1.875% per annum. This amount is not available for general use by the Group in accordance with the hold out agreement with the bank.

Other balances are in the nature of rental deposits placed with certain lessors in relation to office premises rented in the Philippines for lease periods of one to three years.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Prepayments and other receivables

Provision for impairment losses of US\$115,000 (2006: US\$Nil) was made in the year.

21. Cash and cash equivalents

Cash and cash equivalents represent cash at bank and in hand. Cash at bank earn interest at floating interest rates based on daily bank deposit rates.

Included in cash and cash equivalents as at 31 December 2007 is approximately GBP52,064,000 representing the net IPO proceeds from the placing of the Company's shares.

22. Trade and other payables

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Trade payables	46	94
Other payables and accrued expenses	4,415	1,638
Collateral deposits received	407	457
	4,868	2,189

The general credit terms obtained from suppliers to the group range from 7 to 30 days. The ageing profile of trade payables, as at the balance date, is set out below:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Within 30 days	46	94

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

23. Retirement benefits provision

The Philippine subsidiary companies regularly accrue the estimated cost of retirement benefits required by the Retirement Law. Retirement benefits provided amounted to US\$47,573 and US\$21,157 in 2007 and 2006 respectively.

24. Capital and reserves

Movements of capital and reserves for the Group for the year ended 31 December 2007 were as follows:

	Paid in capital US\$'000	Share premium US\$ '000	Accumulated profits US\$ '000	Capital reserve US\$ '000	Share based compensation reserve US\$'000	Exchange reserve US\$'000	Revaluation reserve US\$'000	Attributable to equity holders of the parent entity US\$'000	Minority interest US\$'000	Total equity US\$'000
Balance as at 1 January 2007	6	446	5,665	-	-	(15)	6,806	12,908	-	12,908
Exchange difference arising on translation of overseas subsidiaries' financial statements	-	-	-	-	-	(300)	-	(300)	-	(300)
Net profit for the year	-	-	7,851	-	-	-	-	7,851	-	7,851
Issue of shares prior to IPO	1	-	-	-	-	-	-	1	-	1
Acquisition by AsianLogic Limited	(7)	(446)	-	453	-	-	-	-	-	-
Change in fair values of available-for-sale financial assets	-	-	-	-	-	-	8,502	8,502	-	8,502
Disposal of available-for-sale financial assets	-	-	-	-	-	-	(3,664)	(3,664)	-	(3,664)
Dividends	-	-	(1,483)	-	-	-	-	(1,483)	-	(1,483)
Share based payments	-	-	-	-	4,594	-	-	4,594	-	4,594
Share repurchase	(19,669)	-	-	-	-	-	-	(19,669)	-	(19,669)
Issue of shares	112,771	-	-	-	(4,594)	-	-	108,177	-	108,177
Expenses incurred for listing	(8,499)	-	-	-	-	-	-	(8,499)	-	(8,499)
Balance as at December 2007	84,603	-	12,033	453	-	(315)	11,644	108,418	-	108,418

24. Capital and reserves (continued)

Movements of capital and reserves for the Group for the year ended 31 December 2006 were as follows:

	Paid in capital US\$ '000	Share premium US\$ '000	Accumulated profits US\$ '000	Capital reserve US\$ '000	Share based		Exchange reserve US\$ '000	Revaluation reserve US\$ '000	Attributable to equity holders of the parent entity US\$ '000	Minority interests US\$ '000	Total equity US\$ '000
					compensation reserve US\$ '000	US\$ '000					
Balance as at 1 January 2006	6	446	2,734	-	-	-	1	-	3,187	-	3,187
Exchange difference arising on translation of overseas subsidiaries' financial statements	-	-	-	-	-	-	(16)	-	(16)	-	(16)
Changes in fair values of available for sale financial assets	-	-	-	-	-	-	-	6,806	6,806	-	6,806
Net profit for the year	-	-	4,225	-	-	-	-	-	4,225	-	4,225
Capital contributions	-	-	18	-	-	-	-	-	18	-	18
Dividends	-	-	(1,312)	-	-	-	-	-	(1,312)	-	(1,312)
Balance as at 31 December 2006	6	446	5,665	-	-	(15)	6,806	-	12,908	-	12,908

24. Capital and reserves (continued)

(a) Paid in capital

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Authorised		
Ordinary shares of no par value (2006: US\$1.00 each)	-	10
Issued and fully paid		
110,281,250 ordinary shares of no par value (2006: 6,310 ordinary shares of US\$1.00 each)	84,603	6

The Company was incorporated on 12 June 2007 and on 12 December 2007, acquired the entire share capital of Emphasis Services Limited.

On the date of incorporation, AsianLogic Limited was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On 27 June 2007, the Company issued one share of US\$1.00 which was fully paid. On 29 November 2007, the one issued and 49,999 unissued shares of US\$1.00 each were redesignated as 50,000 no par value shares and the maximum number of ordinary shares the Company was authorised to issue was increased to 1,000,000,000 by the creation of 999,950,000 new ordinary shares of no par value.

In November and December 2007, a total of 748 new Emphasis Services Limited shares were issued at par to certain of the Group's founders and employees and certain other third parties. As at 11 December 2007 Emphasis Services Limited had issued 7,058 shares of US\$1.00 each.

On 12 December 2007, the Company acquired the entire share capital of Emphasis Services Limited and the shareholders in Emphasis Services Limited received shares in the Company in direct proportion to their original shareholding in Emphasis Services Limited pursuant to a share exchange agreement. A total of 70,579,999 Ordinary Shares of the Company were issued to the shareholders of Emphasis Services Limited as consideration for the acquisition by the Company of such shareholder's shares in Emphasis Services Limited.

On 28 December 2007, following the Company's admission to the AIM market of The London Stock Exchange the Company issued, in aggregate, 48,523,750 Ordinary Shares at 111.62p each. The Company repurchased, in aggregate, 8,822,500 Ordinary Shares at the Placing Price from the selling shareholders and cancelled such shares. The consideration received on issuing these shares was approximately US\$108 million with costs of about US\$8.5 million, which directly relate to the issue of new shares, being set off against the paid in capital.

(b) Share based payments

The Group operates a number of employee share ownership plans to grant options and shares to its Directors and employees. In addition, certain other third parties have received equity settled share-based payments in exchange for future services/benefits provided to the Company.

The total share based payments recognised for the year in respect of these share ownership plans is approximately US\$4,594,000. (2006:US\$nil). The fair value of the share based payments was assessed by an independent professional valuer.

24. Capital and reserves (continued)

The Group had an equity share award scheme set up for key employees and other third parties and a share option scheme set up for its two non-executive Directors during the IPO Admission process which are detailed as follows:

(i) Share awards

(a) Employees

The share awards granted to employees is intended to facilitate the retention of senior executives and key employees of the Company by enabling them to receive shares provided that they remain in the Group for a period of two years from the date of grant. No payment will be required for the grant of an award.

Employee share awards have three different vesting conditions. The shares vest either (i) 15% on the grant date, 30% on the first anniversary of the grant date and 55% on the second anniversary, or (ii) subject to revenue performance or (iii) fully vest in 2009. In accordance with IFRS2 this is classified as a non-market condition and therefore the shares have been fair valued by reference to IPO placing price.

(b) Other third parties

There were share awards of 212 and 143 ordinary shares of US\$1 each granted to Playtech Limited and Rise Investments Limited respectively by Emphasis Services Limited prior to the IPO.

On 11 December 2007 the Group signed up for a new five year software licensing deal with Playtech Limited. As part of the deal Emphasis Services Limited issued 212 new shares to Playtech Limited. The shares vested immediately. The share based payments charged for the year is approximately US\$4 million.

Rise Investments Limited ("Rise") is the Group's key affiliate. Rise agreed to a reduction in their affiliate fee rate payable to them from the granting of such shares. In addition, Rise agreed to guarantee a minimum level of net gaming revenue for each of the next three years. The shares vest 50% in year one, 30% in year two and 20% in year three.

(ii) Share options

The plan is an approved share option plan and was adopted on 13 December 2007. It allows the Company to grant options to acquire shares to eligible employees. These options will vest 15% on the first anniversary of grant, 30% on the second anniversary and 55% on the third anniversary, and will generally be exercisable at any time until the tenth anniversary.

The two non-executive Directors of the Company, Jong-Dae Lee and Jonathan Hubbard, were each granted 70,000 shares options on 1 January 2008 with the exercise price based on the share price as at that date. Apart from the above disclosed, there were no other share options granted as at the year end and subsequent to the balance sheet date up to the issue of the financial statements.

(c) Nature and purpose of reserves

(i) Share premium

Represents the share proceeds in excess of par value in relation to Emphasis Services Limited.

(ii) Capital reserve

The capital reserve exists as a result of the method of accounting for the acquisition of the entire share capital of Emphasis Services Limited in the year. In accordance with International Accounting Standards, the acquisition has been accounted for as a reverse acquisition.

(iii) Share based compensation reserve

Represents the fair value of shares granted in relation to the share award schemes as mentioned in note 24 (b) (i). The amount will be transferred to the paid in capital account when the related shares are vested.

24. Capital and reserves (continued)

- (iv) Exchange reserve
- subsidaries Represented the accumulated exchange differences arising on translation of overseas financial information.
- (v) Revaluation reserve
- The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the balance sheet and is dealt with in accordance with the accounting policies in note 3(p).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders, by pricing services commensurately with the level of risk and by seeking for adequate funding to meet all contractual financial liabilities or commitments from the shareholders.

The Group manages capital by regularly monitoring its current and expected liquidity requirements.

The Group is not subject to either internally or externally imposed capital requirements.

25. Consolidated cash flow statement

(a) Reconciliation of profit before tax to net cash generated from operations

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before income tax		
From continuing operations	7,874	4,026
From discontinuing operations (see note 10)	-	213
Operating profit before income tax from both continuing and discontinued operations	7,874	4,239
Adjustments for:		
Amortisation	389	104
Depreciation	692	455
Dividend income	(155)	(340)
Share of losses of associated undertakings	-	247
Gain on disposal of associated undertakings	(4,050)	(365)
Gain on disposal of subsidiaries	-	(118)
Gain on disposals of available for sale financial assets	(5,931)	(2,175)
Loss on disposal of property, plant and equipment	38	-
Impairment losses	495	-
Share based payment expenses	4,594	-
Provision for retirement benefits	27	21
Foreign exchange gain	(442)	(27)
Operating profit before working capital changes	3,531	2,041
Movements in working capital elements:		
Inventories	(2)	(70)
Security deposits	(40)	-
Trade receivables	(1,100)	(1,189)
Trade deposits	(151)	-
Other receivables, deposits and prepayments	(1,963)	-
Trade payables	(48)	22
Other payables and accrued expenses	478	1,791
Collateral deposits received	(50)	42
Accounts with related parties	2,138	(1,663)
Cash generated from operations	2,793	974
Income tax paid	(11)	-
Net cash generated from operating activities	2,782	974

(b) Major non-cash transactions

During the year, the Group had the following material non-cash transactions:

- Full deposit paid for the acquisition of available for sale financial assets for a consideration of US\$3,750,000 from a related Company settled through a current account with this related Company.
- Acquisition of available for sale financial assets for a consideration of US\$12,961,012 from independent third parties settled by loans advanced from a related Company and a corporate shareholder. These loans were subsequently set-off against a consideration for the same amount receivable from the related Company and the shareholder in relation to partial disposals of such financial assets to the related Company and the shareholder during the year.

25. Consolidated cash flow statement (continued)

The 8,822,500 Ordinary Shares repurchased by the Company at the Placing Price from the selling shareholders amounted to US\$19,669,000 were included in amount due to shareholders as at the year end which was subsequently settled in January 2008.

There were direct costs incurred of approximately US\$2,300,000 not settled as at the year end.

26. Financial instruments

The Group's financial instruments comprise cash, liquid resources and various items, such as trade receivables and payables that arise directly from its operations.

The Group is exposed to the following risk elements in the normal course of business.

a) Liquidity risk

The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash to meet such requirements in the short and longer term.

b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place, takes deposits from agents in advance of commencing any gaming activity with them and monitors the exposures to such credit risks on an ongoing basis.

The Group insists on its most significant casinos agents paying on a weekly basis to minimise any potential credit risk.

The Group has no significant concentrations of credit risk. Further analysis of the Group's credit risk is provided on note 20.

The Group has cash and cash equivalents deposited with various banks. There is potentially a risk that these banks suffer liquidity problems resulting in the Group not having immediate access to their monies deposited with these banks.

c) Price risk

The Group is exposed to equity securities price risk by virtue of investments in available for sale equity securities.

d) Foreign currency risk

The Group is exposed to foreign currency risk as revenue and expenses of certain subsidiary companies are predominately in Philippine pesos, and in translating the foreign currency denominated monetary assets and liabilities of the subsidiary companies into US\$ in preparing the consolidated financial statements. Management does not actively seek to hedge these risks due to the high costs associated with such activities.

The Group principally transacts in the following currencies:

- US dollars – gaming transactions (non-European segments);
- Euros – gaming transactions (European segment)
- Philippine pesos – payment of overheads; and
- Pounds sterling – transactions with professional advisers in the UK.

The Group broadly balances its current assets and liabilities in each of the different principle currencies to minimise its exposure to exchange rate movements.

26. Financial instruments (continued)

e) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

f) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other equity holders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2007.

27. Contingent liabilities

From time to time, the Group may be subject to legal claims and actions against it, due to amendments and changes to gambling legal and regulatory framework in the principal jurisdictions in which it operates, being Malaysia, Singapore and Indonesia.

(a) Regulatory issues

The Group undertakes ongoing compliance and operational risk assessment processes, and management continue to monitor legal and regulatory developments, their potential impacts on the business, and continue to take appropriate advice on these developments.

At the end of 2007, based on legal advice, the Directors decided to terminate the Group's online gaming activities in Italy.

(b) Taxation

(i) Risk of a change in the taxation to which the Group is subject

The Group's tax liability is dependent upon the tax regimes in the countries in which it is either incorporated, tax resident or has business operations, continuing on a consistent basis. If there is a change in tax legislation, or in the interpretation of existing tax law in these countries then such changes could, if material, increase the Group's taxation exposure to corporate income taxes, turnover taxes, withholding and other tax liabilities, both past and present and may include the possibility of interest and penalties.

(ii) Risk associated with tax residence

The Group's tax charge is also dependent on the tax residence of the Company and its subsidiaries not being challenged by a taxation authority. In particular, certain taxation authorities base taxation on the tax residence of a company. The test of tax residence varies, but is commonly based on the location where a company is centrally managed and controlled or effectively managed. This may depend upon the residence of the Directors and where they exercise central management and control or effective management. This may differ from the company's place of incorporation. Were the taxing authority to successfully maintain that a company was resident in their territory then this could result in increased tax liabilities. There is therefore a danger that the residence of the Directors, or the location of their meetings, could result in changes in tax residence resulting in increased tax charges.

27. Contingent liabilities (continued)

(c) Others

On 16 March 2007, Golden Aquila Holdings Limited, a shareholder of the Group, advanced HK\$50,625,000 (approximately US\$6,481,000) as 50% of the total consideration to purchase the entire issued share capital of Copernicus Trading Limited, a company formerly 50% owned by Carmina Hall, the wife of Thomas Alexej Hall. On 15 October 2007, the Group transferred 18.75% of the issued share capital of Copernicus Trading Limited to Golden Aquila Holdings Limited, being full and final settlement of the loan.

The Group has guaranteed to Golden Aquila Holdings Limited that if it is unable to sell its Foundation shares at above HK\$0.675 it will make up any shortfall. In addition, Golden Aquila Holdings Limited will share with the Group (on the basis of a prescribed formula) any surplus.

The Directors are unable to quantify any possible financial impact and consequently, no provisions have been made. Foundation shares traded at HK\$0.34 as at the date of the annual report.

28. Operating leases

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2007 US\$'000</i>
Within one year	367	453
In the second to fifth years inclusive	808	192
	1,175	645

Operating lease payments represent rentals payable by the Group for its office premises and betting outlets. Leases are negotiated, and rental fixed, for one to three years.

No arrangements have been entered into for contingent rental payments.

29. Commitments

On 6 July 2007, Emphasis Services Limited agreed to acquire the Zipang and 777Baby online gaming sites from the Geneva Group Limited ("Geneva"). Under the arrangement, the Group agreed to pay US\$2,550,000 for the Geneva Group's online gaming business. The consideration may be adjusted upon the audited profit of Geneva for the period ended 30 June 2008. It is currently anticipated that any adjustment to the consideration will be determined or agreed in November 2008.

30. Related party transactions

For the purposes of the financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operating decisions as defined by IAS 24: Related Party Disclosures.

The remuneration of the Directors and key personnel of the Group are listed in note 8.

The following individuals and companies have been identified as related parties of the Group:

	Nature of relationship
Thomas Alexej Hall *	Director of the Company and held 17,010,000 shares (15.42%) in the Company at 31 December 2007
Christopher John Parker *	Director of the Company and held 11,409,797 shares (10.35%) in the Company at 31 December 2007.
Chi Kan Tang *	Director of the Company and held 2,030,121 shares (1.84%) in the Company at 31 December 2007.
Robert Evans *	Director of the Company and held 531,087 shares in the Company at 31 December 2007
Gary Underwood *	Director of the Company and held 162,753 shares in the Company at 31 December 2007
Itamar Shamshims *	Director of the Company and held 128,489 shares in the Company at 31 December 2007
Nick Chappell *	Chief Compliance Officer
Rodney Hall *	Director of Sport
Jeff Mann *	Marketing Director
Jay Ogabang *	Group Financial Controller
Ronald Tumulak *	Information Technology Manager
Alex Dong *	Asian Pacific Business Development Director
Playtech Limited, including certain of its subsidiary undertakings:	Thomas Alexej Hall is a common executive director of both Playtech Limited and also AsianLogic Limited.
– Evermore Trading Limited	
– Playtech (Cyprus) Limited	
– Playtech Software Limited	
– Playtech Live Limited	
Golden Aquila Holdings	held 7,932,036 shares (7.19%) in the Company at 31 December 2007
TSLIB Limited	Thomas Alexej Hall is the controlling shareholder of TSLIB Limited. TSLIB Limited held 13,850,000 shares (12.56%) in AsianLogic Limited at 31 December 2007.
Net Asset Value Limited	Thomas Alexej Hall is a common Executive Director of both Net Asset Value Limited and also AsianLogic Limited.

* Classified as key management for purposes of remuneration in note 8.

30. Related party transactions (continued)

Trading transactions

Subsidiary companies

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Other related parties

Transactions and balances between the Group and related parties are set out below:

	<i>Year ended 31 December 2007 US\$'000</i>	<i>Year ended 31 December 2006 US\$'000</i>
Sales		
Playtech Limited	1,511	1,300
Purchases		
Playtech Limited	3,820	3,080
Net Asset Value Limited	-	9
	3,820	3,089

Transactions with Playtech Limited are detailed below.

The transactions with Net Asset Value Limited related to management services provided to the Group.

Outstanding balances at the year end

	<i>31 December 2007 US\$'000</i>	<i>31 December 2006 US\$'000</i>
Amounts due from related parties:		
Playtech Limited	27	305
Alpine Enterprises Limited	236	1,242
The Directors	-	137
	263	1,684
Amounts due to related parties:		
Playtech Limited	5,328	128
Amounts due to shareholders	18,963	-
The Directors	-	27
	24,291	155

30. Related Party Transactions (continued)

Further to the above trading transactions, the Group undertook the following transactions with Playtech Limited:

Operational activities with Playtech Limited

The Group acquired the right to provide live gaming services to Playtech licensees (through Bayview Technologies Limited) for US\$550,000 on 1 October 2006. This right has been capitalised from the date of purchase as an intangible asset see note 15

Investment in Playtech Limited shares

In June 2007, September 2007 and November 2007, the Group sold 300,000, 400,000 and 100,000 ordinary shares of Playtech Limited respectively resulting in an aggregate gain on disposal of US\$5,656,000.

Loan amounts provided by Playtech Limited

On 23 March 2007, Playtech Limited loaned the Group US\$1,000,000 to obtain distribution rights of slot machines to be licensed in the Philippines. The loan is unsecured, interest free and repayable no later than six months after the date that the first units are installed in the Philippines.

On 16 March 2007, Evermore Trading Limited, a subsidiary of Playtech Limited advanced HK\$50,625,000 (approximately US\$6,481,000) as 50% of the total consideration to purchase the entire issued share capital of Copernicus Trading Limited, a Company formerly 50% owned by Carmina Hall, the wife of Thomas Alexej Hall. On 21 June 2007, the Group transferred 50% of the issued share capital of Copernicus Trading Limited to Playtech Limited, being full and final settlement of the loan.

On 20 March 2007, the Group agreed to acquire 26,875,000 ordinary shares in CY Foundation Group Limited ("Foundation") from Playtech Limited for US\$3,750,000. The consideration for these Foundation shares of US\$3,750,000 was paid to Playtech Limited on 9 April 2008.

The Group has held shares in Playtech Limited since 2005, which amounted to less than 3% of the total issued share capital of Playtech and did not permit the Group significant management and control of Playtech Limited.

Playtech acquired an aggregate of 458 ordinary shares of Emphasis Services Limited on 11 December 2007, that on 12 December 2007 were exchanged for 4.58 million Ordinary Shares of AsianLogic Limited.

Loan amounts provided by Golden Aquila Holdings Limited

Details of which are disclosed in note 27 Contingent Liability.

Alpine Enterprises Limited

On 28 December 2006, Alpine Enterprises Limited acquired the Group loan balances held in Elisha Investments Limited and Emporium Ventures Limited (and their respective wholly owned subsidiaries) that prior to the date of the divestiture agreement, on 28 December 2006 had been eliminated on consolidation.

Transactions with the Directors

The remuneration of the Directors and key personnel of the Group are listed in note 8.

	Year Ended 31 December 2007 US\$'000	Year Ended 31 December 2006 US\$'000
Christopher Parker	-	18

30. Related Party Transactions (continued)

The amounts due to or from the Directors are in the nature of current accounts, are unsecured, interest free and have no fixed terms of repayment. Further details are set out below:

	<i>At 31 December 2007 US\$'000</i>	<i>At 31 December 2006 US\$'000</i>
Amounts due from the Directors:		
Thomas Alexej Hall	-	137
Amounts due to the Directors:		
Thomas Alexej Hall	-	16
Kan Tang	--	11
	-	27

On 1 October 2006 Internet Sports Marketing Limited, a subsidiary of the Company, entered into a lease with Thomas Hall in respect of 1C Felicity Building, 38 Peel Street, Central, Hong Kong. The lease was due to expire on 31 October 2007, but the term was extended to the end of November 2007.

Amounts due to shareholders

The amounts due to shareholders are unsecured, interest free, representing the amounts paid for share repurchases. The amount was fully repaid in January 2008.

31. Post balance sheet events

On 6 February 2008, Gamebuilder's Inc licensed bespoke online casino software to PAGCOR (Philippines Amusement and Gaming Corporation) in the Philippines. The agreement allows Philweb, the service provider to PAGCOR, to operate the casino platform which is ultimately provided by Playtech Limited. Philweb concluded an agreement with Bingo Bonanza to release the Playtech software into their internet casino stations.

On 13 February 2008, the Group entered into an agreement with Singapore based Capital Events Pte to acquire and take over the running of the renowned Asian Poker Tour ("APT"), Asia's original and largest poker tour. The APT has further strengthened its presence in Asia with the addition of the Korean Professional Poker Tour as a shareholder and exclusive partner in Korea.

On 16 April 2008, the Company purchased in the market 1.35 million of its own ordinary shares at a price of 76.5p each.

Following the implementation of a new law in Indonesia in April 2008, the Group has determined that it is prudent to discontinue its business in the territory and has initiated the process of an orderly shutdown.

32. Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in the current year.

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

IFRSs issued but not yet effective

At the date of approval of the financial statements, the following IFRSs were issued but not yet effective:

Amendment to IAS 1	(Note a)	Presentation of financial statements Comprehensive revision including requiring a statement of comprehensive income
Amendment to IAS 23	(Note a)	Borrowing costs
Amendment to IAS 27	(Note d)	Consolidated and separate financial statements Consequential amendments arising from amendments to IFRS 3
Amendment to IAS 28	(Note d)	Investments in associates – Consequential amendments arising from amendments to IFRS 3
Amendment to IAS 31	(Note d)	Interests in joint ventures – Consequential amendments arising from amendments to IFRS 3
Amendment to IAS 32	(Note a)	Financial instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation
Amendment to IFRS 2	(Note a)	Share-based payment – Amendment relating to vesting conditions and cancellations
Amendment to IFRS 3	(Note d)	Business combinations – Comprehensive revision on applying the acquisition method
IFRS 8	(Note a)	Operating segments
IFRIC 12	(Note b)	Service concession arrangements
IFRIC 13	(Note c)	Customer loyalty programmes
IFRIC 14	(Note b)	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

Notes:

- a) effective for annual periods beginning on or after 1 January 2009
- b) effective for annual periods beginning on or after 1 January 2008
- c) effective for annual periods beginning on or after 1 July 2008
- d) effective for annual periods beginning on or after 1 July 2009

The Directors do not anticipate that the adoption of these IFRSs in future periods will have a material impact on the financial Statements of the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.



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