THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AGTech Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

AGTech
www.agtech.com

AGTech Holdings Limited
亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) APPOINTMENT OF DIRECTORS
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 10 to 58 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular.

A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-60 of this circular.

A notice convening the SGM (as defined herein) to be held at 11 a.m. on Friday, 10 June 2016 at the conference room of HLB Hodgson Impey Cheng Limited at 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong is set out on pages SGM–1 to SGM–3 of this circular. Whether or not shareholders of the Company are able to attend the SGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the SGM (or any adjournment thereof) should they so desire.

This circular will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and will be published on the website of the Company at http://www.agtech.com.

* *For identification purpose only*

25 May 2016

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Adjusted Initial Conversion Price"	has the meaning given to it under the section headed "Subscription Agreement – The Subscription" in the Letter from the Board
"Affiliate"	in respect of any specified person, means any other person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified person
"AGT"	Asia Gaming Technologies Limited, a company incorporated in Hong Kong owned as to 51% by the Company
"Alibaba Group"	a group of companies comprising Alibaba Holding and its Subsidiaries, details of which are set out in the section headed "Information on the Subscriber" in the Letter from the Board
"Alibaba Holding"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the New York Stock Exchange
"Alipay"	Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Ant Financial
"Announcement"	the announcement dated 4 March 2016 of the Company in relation to, among other things, the Subscription and the Whitewash Waiver
"Ant Financial"	Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., a company incorporated in the PRC
"Ant Financial Group"	a group of companies comprising Ant Financial and its Subsidiaries
"Articles"	the Company's articles of association from time to time
"Authorised Share Capital Increase"	the proposed increase in the authorised share capital of the Company from HK$20,000,000 divided into 10,000,000,000 Shares to HK$40,000,000 divided into 20,000,000,000 Shares

"Board"	the board of directors of the Company
"Bond Instrument"	the instrument to be executed as a deed by the Company constituting the Convertible Bonds in the form set out in the Subscription Agreement
"Business Cooperation Framework Agreement"	the business cooperation framework agreement to be entered between Taobao Software, Alipay and the Company at Completion
"Business Day"	means a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong and in the PRC
"Bye-Laws"	means the Company's bye-laws from time to time
"Company"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM of the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Completion Date"	the date of Completion, which shall be the seventh Business Day after the Unconditional Date, or on such other date as the parties may agree
"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Consultant Options"	the options granted to consultants of the Company to subscribe for up to 396,682,163 Shares pursuant to the Share Option Schemes
"Control"	means in relation to an undertaking: (i) the power to direct the exercise of a majority of the voting rights capable of being exercised at a general meeting of that undertaking; (ii) the right to appoint or remove a majority of the board of directors (or corresponding officers) of that undertaking; or

	(iii) the right to exercise a dominant influence over that undertaking by virtue of provisions contained in its constitutional documents or under a control contract or otherwise.
	In each case either directly or indirectly and Controlled and Controlling shall be construed accordingly
"Conversion Price"	the conversion price at which Conversion Shares are issued upon conversion of the Convertible Bonds, being initially HK$0.3478 and adjusted to HK$0.3013 as at the Latest Practicable Date
"Conversion Shares"	new Shares to be issued upon the exercise of the conversion rights under the terms of the Convertible Bonds
"Convertible Bonds"	subject to the fulfilment of the conditions precedent and the terms of the Subscription Agreement, newly issued convertible bonds in the principal amount of HK$712,582,483 to be subscribed by the Subscriber upon Completion
"Directors"	members of the board of directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Fully-diluted Basis"	in calculations of share or shareholding amounts, that the calculation is to be made assuming that all outstanding options, warrants and other equity securities convertible into or exercisable or exchangeable for such shares, as applicable (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and each of its Subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Immense Wisdom "	Immense Wisdom Limited, a company incorporated under the laws of the British Virgin Islands

"Independent Board Committee"	an independent board committee of the Board (comprising all the non-executive Directors, namely Mr. Ho King Fung, Eric, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao) to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription and the Whitewash Waiver and as to voting
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver are, or are not, fair and reasonable and as to voting
"Independent Shareholders"	shareholders other than the Subscriber, its associates and the parties acting in concert with it and other Shareholders, including Mr. Sun, Mr. Bai, Mr. Liang and their respective associates, who are involved in, or interested in, the Subscription and the Whitewash Waiver
"King Achieve"	King Achieve Limited, a company incorporated under the laws of the British Virgin Islands
"Last Trading Day"	4 March 2016, being the last trading day before the entering into of the Subscription Agreement
"Latest Practicable Date"	20 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	has the meaning given to it under the GEM Listing Rules
"Lottery Agencies"	means the Lottery Sales Agencies and the Lottery Issuance Agencies which are both established by the PRC government
"Lottery Issuance Agencies"	has the meaning given to it under the section headed "The PRC Lottery Regulatory Environment Relating to the Group's Business — Lottery Regulatory Authorities" in the Letter from the Board
"Lottery Sales Agencies"	has the meaning given to it under the section headed "The PRC Lottery Regulatory Environment Relating to the Group's Business — Lottery Regulatory Authorities" in the Letter from the Board

"Maturity Date"	third anniversary of the date of issue of the Convertible Bonds
"Maxprofit"	Maxprofit Global Inc, a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Sun
"Mr. Bai"	Mr. Bai Jinmin, who is an executive director of the Company
"Mr. Cheng"	Mr. Cheng Guoming, who is an executive director and the chief financial officer of the Company
"Mr. Liang"	Mr. Liang Yu, who is an executive director of the Company
"Mr. Sun"	Mr. Sun Ho, who is an executive director and the chief executive officer of the Company
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Rainwood Options"	the options granted to Rainwood Resources Limited on 3 May 2013 to subscribe for up to 212,879,224 Shares at an exercise price of HK$0.4 per Share (subject to customary adjustment in the event of capitalisation issue) at any time during a 3-year period from 21 May 2013, which were exercised on 16 March 2016
"Relevant Period"	the period commencing six months prior to the date of the Announcement up to and including the Latest Practicable Date
"R&D"	research and development

"Score Value Transaction"	the acquisition of the entire equity interest in Score Value Limited by the Company as contemplated under the agreement entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value Limited as the target, and Immense Wisdom and King Achieve as the sellers dated 17 November 2014, pursuant to which, among other things, (i) Immense Wisdom and King Achieve were granted options to subscribe for up to 166,666,666 Shares at a subscription price of HK$1.8 per Share and such options are contingent upon certain performance targets and (ii) Immense Wisdom and King Achieve may be issued up to 135,135,135 Shares if certain performance targets are achieved. Since the date of the Announcement up to the Latest Practicable Date, 10,135,135 Shares have been allotted and issued to Immense Wisdom and King Achieve pursuant to the terms of the Score Value Transaction
"SFC"	Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 11 a.m. on Friday, 10 June 2016 at conference room of HLB Hodgson Impey Cheng Limited at 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong for the Shareholders to consider and, if thought fit, pass the resolutions to approve, among other things (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the specific mandate under which the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; (v) the Authorised Share Capital Increase; and (vi) the appointment of the Subscriber's nominees as Directors to the Board
"SGM Notice"	the notice convening the SGM set out on pages SGM-1 to SGM-4 of this circular

"Share(s)"	ordinary shares with a par value of HK$0.002 each in the capital of the Company (which include ordinary shares of the Company listed on the Stock Exchange) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company
"Share Option Schemes"	the option schemes under which options were granted to the consultants, directors and eligible employees of the Company
"Share Registrar"	Tricor Abacus Limited, or the Hong Kong branch share registrar of the Company from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Ali Fortune Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands
"Subscription"	the subscription for the Subscription Shares and the Convertible Bonds subject to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 4 March 2016 and entered into between the Company, the Subscriber, Mr. Sun and Maxprofit
"Subscription Price"	the price of HK$0.3478 for the subscription of each Subscription Share
"Subscription Shares"	subject to the fulfilment of the conditions precedent and the terms of the Subscription Agreement, 4,817,399,245 newly issued Shares to be subscribed by the Subscriber upon Completion

"Subsidiary"	includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) not more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other applicable generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"Taobao Software"	Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), a company incorporated in the PRC and a subsidiary of Alibaba Holding
"Transfer"	means, in relation to any Shares (and any Shares derived from such Shares upon any consolidation or subdivision of share capital by the Company or any issue of bonus shares by the Company from time to time), directly or indirectly, to: (i) sell, assign, transfer, dispose of or otherwise deal with it (including the grant of any option over or in respect of it); (ii) create or permit to subsist any charges, encumbrances, security interests, claims of any third party, restrictions on transfer, or restrictions on voting;

	(iii) direct (by way of renunciation or otherwise) that another person should, or assign any right to, receive it;
	(iv) enter into any agreement in respect of the votes or any other rights attached to it (other than by way of proxy for a particular shareholder meeting); or
	(v) agree, whether or not subject to any condition precedent or subsequent, to do any of the foregoing
"Unconditional Date"	the date on which all the conditions to Completion have been satisfied (or waived) in accordance with the Subscription Agreement
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Subscription Shares at Completion; and/or (ii) the allotment and issue of the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent

For illustration purposes only, amounts denominated in Renminbi in this circular have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK$1.1983.

AGTech Holdings Limited
亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

Executive Directors:
Mr. Sun Ho *(Chairman & CEO)*
Mr. Bai Jinmin
Mr. Liang Yu
Mr. Cheng Guoming

Non-Executive Director:
Mr. Ho King Fung, Eric

Independent Non-Executive Directors:
Ms. Monica Maria Nunes
Mr. Feng Qing
Dr. Gao Jack Qunyao

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Unit 3912, 39th Floor, Tower Two
Times Square
Causeway Bay
Hong Kong

25 May 2016

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) APPOINTMENT OF DIRECTORS
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that the Company had on 4 March 2016 entered into the Subscription Agreement with the Subscriber, Mr. Sun and Maxprofit. Pursuant to the Subscription Agreement the Company has conditionally agreed to allot

* *For identification purpose only*

and issue to the Subscriber, a company indirectly owned as to 60% by Alibaba Holding and as to 40% by Ant Financial, and the Subscriber has conditionally agreed to subscribe for:

(i) an aggregate of 4,817,399,245 Subscription Shares (representing approximately 98.09% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares) at the Subscription Price of HK$0.3478 per Subscription Share; and

(ii) Convertible Bonds in the aggregate principal amount of HK$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the initial Conversion Price of HK$0.3478 per Conversion Share.

The primary purpose of this circular is to provide you with, among other things, (i) further details of the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase; (ii) recommendation of the Independent Board Committee to the Independent Shareholders; (iii) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM.

SUBSCRIPTION AGREEMENT

Date: 4 March 2016

Parties:
(i) The Company as issuer;
(ii) The Subscriber as subscriber;
(iii) Mr. Sun; and
(iv) Maxprofit.

The Subscription

The Company has conditionally agreed to allot and issue to the Subscriber at Completion, and the Subscriber has conditionally agreed to subscribe for:

(i) an aggregate of 4,817,399,245 Subscription Shares at the Subscription Price of HK$0.3478 per Subscription Share; and

(ii) Convertible Bonds in the aggregate principal amount of HK$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the initial Conversion Price of HK$0.3478 per Conversion Share.

On or before Completion, if and whenever the Company issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Rainwood Options or the Consultant Options, the Conversion Price shall be adjusted in the manner set out in the section headed "Principal terms of the Convertible Bonds – Conversion Price Adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options" below as if the Convertible Bond had been issued at that time, and such adjusted Conversion Price shall become the initial Conversion Price of the Convertible Bonds upon its issuance at Completion.

During the period commencing from the date of the Subscription Agreement up to the Latest Practicable Date, 212,879,224 Shares, 2,550,000 Shares and 10,135,135 Shares have been issued pursuant to the exercise of the Rainwood Options in full, the Consultant Options in part and the issue of Consideration Shares pursuant to the Score Value Transaction, respectively. For further details, please refer to the announcements of the Company dated 16 March 2016, 23 March 2016 and 10 May 2016. Accordingly, assuming that no Shares or options to subscribe for any Shares shall be issued or granted under the Score Value Transaction, and no further Shares shall be issued under the Consultant Options prior to Completion, the initial Conversion Price of HK$0.3478 will be adjusted to HK$0.3013 per Share (the "**Adjusted Initial Conversion Price**"), and the maximum number of Shares that will be issued upon full conversion of the Convertible Bonds at the Adjusted Initial Conversion Price is 2,364,665,518 Shares.

The Subscription Shares and the Conversion Shares

The total number of the Subscription Shares is 4,817,399,245 new Shares, representing (i) approximately 98.09% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

If the Convertible Bonds were converted in full at the Adjusted Initial Conversion Price, the total number of the Conversion Shares would be 2,364,665,518 new Shares, representing (i) approximately 48.15% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 19.55% of the issued share capital of the Company as enlarged by the allotment and issue of 4,817,399,245 Subscription Shares and 2,364,665,518 Conversion Shares.

The aggregate number of 4,817,399,245 Subscription Shares and 2,364,665,518 Conversion Shares is 7,182,064,763 new Shares, representing (i) approximately 146.23% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 59.39% of the issued share capital of the Company as enlarged by the allotment and issue of 4,817,399,245 Subscription Shares and 2,364,665,518 Conversion Shares.

Following Completion, the Subscriber intends to convert such number of the Convertible Bonds that will achieve a holding of Shares by the Subscriber of more than 50% of the issued share capital of the Company, provided, that such conversion shall not result in a breach by the Company of the requirement under Rule 11.23(7) of the GEM Listing Rules that no less than 25% of the issued share capital of the Company are held by the public.

Accordingly, immediately following issue of the Subscription Shares at Completion, the Subscriber intends to convert Convertible Bonds in the principal amount of HK$194,359,156 resulting in the issue of 644,970,099 Conversion Shares (assuming that the applicable Conversion Price is the Adjusted Initial Conversion Price of HK$0.3013). As a result, immediately following Completion, the Subscriber is expected to hold 5,462,369,344 Shares, representing approximately 52.66% of the issued share capital of the Company as enlarged by the allotment and issue of 4,817,399,245 Subscription Shares and 644,970,099 Conversion Shares (assuming no other changes to the issued share capital of the Company).

At any time after Completion and as long as the Convertible Bonds have not been converted in full, the Subscriber intends to further convert the remaining Convertible Bonds in stages whenever the number of Shares held by the public (as defined in the GEM Listing Rules) increases due to an issue of Shares by the Company to third parties other than the Subscriber (or persons that do not form part of the public).

The Company will allot and issue the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares under a specific mandate to be approved by the Independent Shareholders at the SGM by an ordinary resolution.

The Subscription Price and the Conversion Price

The aggregate amounts of the consideration for the Subscription Shares and the Convertible Bonds are HK$1,675,417,517 and HK$712,582,483, respectively, which shall be payable by the Subscriber in cash at Completion.

The Subscription Price and the initial Conversion Price, each being HK$0.3478, represent:

(i) a discount of approximately 82.52% to the closing price of HK$1.9900 per Share as quoted on the Stock Exchange on 4 March 2016, being the Last Trading Day;

(ii) a discount of approximately 82.05% to the average of the closing price per Share of approximately HK$1.9380 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iii) a discount of approximately 81.94% to the average of the closing price per Share of approximately HK$1.9260 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 79.66% to the closing price of HK$1.7100 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 51.36% to the audited net asset value per Share of approximately HK$0.2298 as at 31 December 2015.

The Adjusted Initial Conversion Price, being HK$0.3013, represents:

(i) a discount of approximately 84.86% to the closing price of HK$1.9900 per Share as quoted on the Stock Exchange on 4 March 2016, being the Last Trading Day;

(ii) discount of approximately 84.45% to the average of the closing price per Share of approximately HK$1.9380 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iii) a discount of approximately 84.36% to the average of the closing price per Share of approximately HK$1.9260 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 82.38% to the closing price of HK$1.7100 per Share a quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 31.12% to the audited net asset value per Share of approximately HK$0.2298 as at 31 December 2015.

The Subscription Price and the Conversion Price were arrived at after arm's length negotiations among the Company and the Subscriber where the Company has taken into consideration the following factors:

(a) The Directors (including members of the Independent Board Committee whose opinion is set out in the Letter from the Independent Board Committee in this circular) view the Subscription as a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group, the largest online and mobile commerce company in the world in terms of gross merchandise volume, and Ant Financial Group, which operates businesses such as Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Zhima Credit.

(b) Upon the terms of the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out below), the Group is intended to become the exclusive business platform of Alibaba Holding and Ant Financial for lottery businesses. In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce. The Company expects that this will enable the Group to develop and expand its existing offline lottery business and, in particular, the mobile and internet lottery business where the Group sees significant synergy potential.

(c) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise.

(d) The Subscription Price and the initial Conversion Price of HK$0.3478 represents a premium of approximately 51.36% over the audited consolidated net asset per Share as at 31 December 2015 as set out above. The Adjusted Initial Conversion Price of HK$0.3013 represents a premium of approximately 31.12% to the audited net asset value per Share of approximately HK$0.2298 as at 31 December 2015.

(e) The trading price of the Shares has been volatile for the past 12 months prior to the date of the Announcement, ranging from HK$0.7400 on 4 March 2015 to HK$1.9900 on 4 March 2016 and the price per Share has risen by approximately 169% in the past 12 months. Therefore, the Company considers that the recent trading price of the Shares is not suitable to be seen as a decisive reference for determining the Subscription Price and the Conversion Price.

In light of the factors set out above, the Directors (including members of the Independent Board Committee whose opinion is set out in the Letter from the Independent Board Committee in this circular) consider that the terms of the Subscription are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

Principal Terms of the Convertible Bonds

Principal Amount	HK$712,582,483
Denomination	The Convertible Bonds are issued in registered form in the denomination of the initial Conversion Price of HK$0.3478 each. The initial Conversion Price is subject to adjustment upon occurrence of certain events prior to Completion. As at the Latest Practicable Date, the Adjusted Initial Conversion Price is HK$0.3013. Please refer to the section headed "Subscription Agreement — The Subscription" above for further details.
Maturity	Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bond at its principal amount with accrued and unpaid interest thereon on the Maturity Date, which is the third anniversary of the issuance date of the Convertible Bonds.
Dividend Interest	The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable Conversion Price.
Conversion Right	A bondholder shall have the right to convert all or part of its Convertible Bonds into Shares at any time during the period on or after the issuance date of the Convertible Bonds and up to the Maturity Date provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.
Mandatory Conversion	The Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the Maturity Date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

Conversion Price	The initial Conversion Price is HK$0.3478 per Conversion Share. The initial Conversion Price is subject to adjustment upon occurrence of certain events prior to Completion. As at the Latest Practicable Date, the Adjusted Initial Conversion Price is HK$0.3013. Please refer to the section headed "Subscription Agreement – The Subscription" above for further details. The number of Conversion Shares to be issued upon conversion of the Convertible Bonds will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect at the relevant date of conversion.
Conversion Price Adjustment	The Conversion Price will be subject to customary anti-dilution adjustment for consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of shares or options over shares at less than the current market price, rights issues of other securities, issues at less than the current market price, modification of rights of conversion etc., offers (including issues, sales or distributions) to shareholders or events which have or would have an effect on the position of the bondholders as a class compared with the position of the holders of all the securities of the Company, taken as a class, which is analogous to any of the events referred above (including any demerger, spin-off or similar arrangement in respect of any business of any member of the Group).
Conversion Price Adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options	If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the Conversion Price shall be adjusted in a manner so that: (i) the shareholding of the Subscriber (the "**Subscriber Shareholding**") in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its Affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a Fully-diluted Basis immediately following the issue of such Shares and/or the grant of such options is equal to: (ii) the Subscriber Shareholding immediately prior to the issue of such Shares and/or the grant of such options.

Following such adjustment due to the grant of the options under the Score Value Transaction, the Conversion Price shall not be further adjusted when such options are exercised.

If, at the time all or any part of the Convertible Bonds are to be converted into Shares, there are outstanding options to subscribe for Shares under the Rainwood Options and/or the Consultant Options, the Conversion Price shall be adjusted as if such options had been exercised.

Listing of Conversion Shares — The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Redemption on Special Event — Following the occurrence of a Special Event, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112 per cent. of the principal amount of such Convertible Bonds. In the Bond Instrument, a "Special Event" means any of the following occurrences:

(a) a change of control;

(b) if the Shares cease to be listed or admitted to trading on the Stock Exchange, or if it is announced that the Shares will cease to be listed or admitted to trading on the Stock Exchange;

(c) if there shall have been a breach of any of the covenants given by the Company pursuant to the terms of the Convertible Bonds;

(d) if (i) any other present or future indebtedness of any member of the Group for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity; or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) any member of the Group fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds US$1,500,000 or its equivalent; and

(e) if any member of the Group is in breach of the Group's anti-corruption policy.

Status	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations. No application will be made for a listing of the Convertible Bonds.
Transferability	The Convertible Bonds are freely transferrable.

Conditions of the Subscription

Completion is conditional upon satisfaction (or waiver) of the following conditions precedent:

(i) all necessary approvals for the Subscription required under the Bye-Laws, applicable laws, the GEM Listing Rules and the Takeovers Code having been obtained, including:

(a) the passing by the requisite majority of Shareholders or Independent Shareholders of the Company (as appropriate) at the SGM of all resolutions required under relevant laws, including pursuant to the GEM Listing Rules and the Takeovers Code, in respect of, among other things, the specific mandate for the allotment and issue of the Subscription Shares and the Conversion Shares and the Whitewash Waiver;

(b) the granting of the approval for the listing of, and permission to deal in Subscription Shares and Conversion Shares by the Listing Committee of the GEM of the Stock Exchange;

(c) the Executive granting the Whitewash Waiver to the Subscriber and parties acting in concert with the Subscriber and the satisfaction of any condition attached to the Whitewash Waiver being granted and not having been revoked or withdrawn; and

(d) the Shareholders approving the Authorised Share Capital Increase at the SGM;

(ii) the Company having maintained all the licences, permits, consents, approvals or authorisations necessary for the current businesses of the Group from the relevant authorities;

(iii) the Bermuda Monetary Authority having granted consent to the increase in the authorised share capital of the Company and the issue of the Subscription Shares;

(iv) the warranties given by the Company, Mr. Sun and Maxprofit continuing to be true, accurate in all material respects and not misleading in any material respect as of the Completion Date;

(v) the Company having performed all of its material obligations expressed to be performed on or before Completion;

(vi) no material adverse effect on the Group having occurred since the date of the Subscription Agreement up to the Completion Date;

(vii) no injunction, interim or otherwise, having been granted in respect of the Company which would prohibit the Company to enter into and perform its obligations under the terms of the Convertible Bonds and the Subscription Agreement;

(viii) none of the events of default described in the terms of the Convertible Bonds having occurred since the date of the Subscription Agreement up to the Completion Date;

(ix) the Subscriber having completed and being reasonably satisfied with the results of its due diligence review and investigations over the matters of the Group; and

(x) the warranties given by the Subscriber continuing to be true, accurate and complete in all material respects as of the Completion Date.

The Subscriber may at any time by notice in writing to the other parties waive any of the conditions set out in (ii) to (ix) above. The Company may at any time by notice in writing to the other parties waive the condition set out in (x) above. The conditions set out in (i) are not waivable by either party. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed. Each of the Subscriber and the Company shall use its best endeavours to ensure its respective conditions precedents is satisfied as soon as reasonably practicable.

If the Unconditional Date has not occurred on or prior to 4 September 2016, the Subscription Agreement (other than certain surviving provisions) shall automatically terminate and (without prejudice to the rights and/or obligations of any party in respect of any preceding breach) the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

As 4 September 2016 is only the deadline for all the conditions to Completion to be satisfied (or waived), subject to the satisfaction (or waiver) of the conditions to Completion, Completion may take place at a time much earlier than 4 September 2016.

As no consent is required from the Bermuda Monetary Authority regarding the increase in the authorised share capital of the Company and the issue of the Subscription Shares, the Subscriber intends to waive the condition set out in (iii) above. As at the Latest Practicable Date, none of the conditions set out above has been satisfied (or waived).

Completion of Subscription

Completion will take place on the seventh Business Day following the Unconditional Date, or on such other date as the parties may agree.

Mr. Sun's Lock-up Undertaking

At Completion, Mr. Sun and Maxprofit will enter into a deed of undertaking (the "**Mr. Sun Lock-up Undertaking**") pursuant to which each of Mr. Sun and Maxprofit will undertake to the Subscriber that it shall not Transfer any right or interest in 15% or more of the 2,033,328,000 Shares held by Mr. Sun and Maxprofit as at the date of the Announcement, for the period commencing on the Completion Date and ending on the earlier of:

(a) the second anniversary of the Completion Date;

(b) the date on which Mr. Sun ceases to act as a director and the chief executive officer of the Company due to a dismissal without cause in accordance with the service contract of Mr. Sun; and

(c) the date on which the Subscriber ceases to be the largest Shareholder or to hold 30% or more of the Shares of the Company (as measured by the aggregate interest in the Shares held by Alibaba Holding, Ant Financial and their respective Affiliates).

Management Shareholders' Lock-up Undertaking

At Completion, each of Mr. Bai, Mr. Liang and Mr. Cheng will enter into a deed of undertaking pursuant to which each of them will undertake to the Subscriber that he shall not (and shall procure his Affiliates not to) without the prior written consent of the Subscriber, Transfer any right or interest in 50% or more of (a) the Shares owned by him or his Affiliates as of the Completion Date plus (b) the total number of Shares that may be acquired by him or his Affiliates upon exercise of all existing share options granted to him and which will vest during the period commencing on the Completion Date and ending on the first anniversary of the Completion Date (collectively, the "**Lock-up Shares**") for a period commencing on the Completion and ending on the earlier of:

(a) the first anniversary of the Completion Date;

(b) the date on which he ceases to be a member of the Company's senior management due to dismissal without cause in accordance with his service contract; and

(c) the date on which the Subscriber ceases to be the largest Shareholder or to hold 30% or more of the Shares of the Company (as measured by the aggregate interest in the Shares held by Alibaba Holding, Ant Financial and their respective Affiliates).

Investor Undertaking

Alibaba Investment Limited (a subsidiary of Alibaba Holdings) and API (Hong Kong) Investment Limited (a subsidiary of Ant Financial) will enter into a deed of undertaking at Completion, pursuant to which each of Alibaba Investment Limited and API (Hong Kong)

Investment Limited shall undertake to, and covenant with, the Company that, Alibaba Investment Limited and API (Hong Kong) Investment Limited will remain as the largest shareholder of the Company (as measured by the aggregate interest in the Shares of the Company held by Alibaba Investment Limited, API (Hong Kong) Investment Limited and their respective Affiliates (including but not limited to the Subscriber)) and will continue to hold (directly or indirectly) 30% or more of the Shares of the Company, for the period commencing on the Completion Date and ending on the earlier of (a) the second anniversary of the Completion Date; and (b) the date on which Maxprofit or Mr. Sun is released in full from the Mr. Sun Lock-up Undertaking.

Board Composition

Pursuant to the Subscription Agreement, with effect from Completion, the Board shall consist of nine Directors, comprising:

(i) the three current independent non-executive Directors;

(ii) Mr. Sun (who will remain as an executive Director, the chairman of the Board and the chief executive officer of the Company); and

(iii) five non-executive Directors nominated by the Subscriber.

Subsequent to the signing of the Subscription Agreement, the parties have further agreed that, with effect from Completion, the Subscriber shall be entitled to nominate one executive Director (which shall also be appointed as the new chief financial officer of the Company) and four non-executive Directors to the Board.

Re-appointment of Mr. Sun as chief executive officer and renewal of his Service Contract as from Completion

With effect from Completion, Mr. Sun shall be re-appointed as the Company's chief executive officer for a period of two years as from Completion and his service contract shall be accordingly renewed with the Company. The proposed arrangements contemplated under the Subscription Agreement and the new service contract to be entered into by Mr. Sun will not confer any additional benefit nor any (additional or new) incentive or any enhanced contractual terms to Mr. Sun (other than the continuation of Mr. Sun's existing salary and benefits terms that he is entitled to under his current service contract). Pursuant to the renewed service contract, the Company shall appoint Mr. Sun as the chief executive officer of the Company for a term of two years as from Completion, unless terminated earlier by the Company for cause. Mr. Sun currently has no intention to resign as an executive Director after Completion.

Other arrangements relating to senior management team of the Company

As from Completion and as long as Mr. Sun remains as the Company's chief executive officer and (directly or indirectly) holds at least 5% of the Company's share capital, Mr. Sun shall propose to the Board for consideration (and, if considered suitable by the Board, for appointment by it) suitable candidates for the positions of the Company's senior management (including the chief operating officer, the chief technology officer, the chief legal officer and the presidents of each business segments of the Company).

With effect from Completion, each of Mr. Bai, Mr. Liang and Mr. Cheng, all being existing executive Directors, shall resign from his directorship but will continue to be employed by the Group as a member of the Company's senior management. The proposed arrangements contemplated under the Subscription Agreement and the new service contracts to be entered into by Mr. Bai, Mr. Liang and Mr. Cheng will not confer any additional benefit nor any (additional or new) incentive or any enhanced contractual terms to any of them (other than the carrying forward of pre-existing share options previously granted to them and the continuation of their existing salary and benefits terms that they are entitled to under their current service contracts).

The Subscriber has no immediate plans to substantially change the senior management team of the Company and in light of the above arrangements, it is therefore currently expected that the business and operations of the Group will continue to be managed after Completion by substantially the same management team as currently in place, namely Mr. Sun, Mr. Bai, Mr. Liang and Mr Cheng.

Set out below are the biographical details of Mr. Sun, Mr. Bai, Mr. Liang and Mr. Cheng:

Mr. Sun Ho

Mr. Sun Ho, aged 47, is the executive Director, chairman and chief executive officer, authorised representative, compliance officer, member of the nomination committee, and chairman of the corporate governance committee and risk management and internal control committee of the Company. He is also the director of various subsidiaries of the Company and is responsible for the strategic planning, business development and general management of the Group.

Mr. Sun also has extensive experience in auditing and financial management of enterprises. He holds a bachelor degree in Economics from the University of Sydney in Australia and a master degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Sun is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. Bai Jinmin

Mr. Bai Jinmin, aged 50, is the executive director of the Company. He is also the director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

Mr. Bai has over 20 years of extensive experience in business development, investment, corporate management and strategic planning. Prior to joining the Group, Mr. Bai was the director of Louis DreFus Energy (SPEC) Pte Ltd., managing director of SPEC Overseas (Holdings) Pte Ltd., vice president of Shenzhen Petrochemical Industry (Holdings) Co., Ltd., chairman of Shenzhen GETOS Fine Silicons Co., Ltd., director of Sinoying Logistics Pte Ltd. and executive director of STAR Pharmaceutical Limited, the issued shares of which are listed on Singapore Exchange Limited.

Mr. Bai holds a bachelor degree in Engineering from 杭州電子工業學院 (the Electronics Institute of Hangzhou*), the PRC (now known as Hangzhou Dianzi University* (杭州電子科技大學)) and a degree of master of Business Administration from the National University of Singapore.

Mr. Liang Yu

Mr. Liang Yu, aged 43, is the executive director of the Company. He also acts as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision. Mr. Liang has more than 10 years of law practice experience. Before joining the Company, Mr. Liang was a partner with Haiwen & Partners, a law firm in the PRC. He advised clients on a variety of legal issues involving foreign direct investment and private equity investment in the PRC as well as other forms of foreign trade and economic cooperation activities.

He received his LL.B degree from the University of International Business & Economics in Beijing, the PRC in 1994 and his LL.M degree from the New York University Law School in New York, the United States of America in 2003.

Mr. Cheng Guoming

Mr. Cheng Guoming, aged 43, is the executive Director and chief financial officer of the Company. He is also a member of the risk management and internal control committee of the Company. Mr. Cheng has extensive experience in China lottery business, private equity investments, special opportunities (e.g. distressed assets and rescue financing), crossborder transactions and operation management of investments in China and overseas. Before joining the Company, Mr. Cheng held various major positions in other renowned or listed companies, including executive director of the global special opportunities group department of J.P. Morgan Securities (Asia Pacific) Limited; director of Greater China – Advisory of HSBC Markets (Asia) Limited; head of investment department of Shanghai Industrial Holdings Limited (a company listed on the Stock Exchange, stock code: 363); deputy chief financial officer (and chief financial officer, China region) of China LotSynergy Holdings Limited (a company listed on the Stock Exchange, stock code: 1371); and senior manager of the reorganisation services group department of Deloitte Touche Tohmatsu Hong Kong. Mr. Cheng holds a bachelor of economics degree from Fudan University in China, and is a non-practising member of the Shanghai Institute of Certified Public Accountants.

Business Cooperation Framework Agreement

At Completion, Taobao Software (a subsidiary of Alibaba Holding), Alipay (a wholly-owned subsidiary of Ant Financial) and the Company, will enter into the Business Cooperation Framework Agreement pursuant to which the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business, based on, and subject to, the following key principles:

(i) The Group shall be the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licenses for the operations of lottery businesses.

(ii) The Group shall operate and manage all lottery software and hardware products of Alibaba Group and Ant Financial Group, other than lottery related payment software and systems developed or owned by Ant Financial Group.

(iii) The Group shall be authorised by Taobao Software to operate a lottery channel on the Taobao platform, but Taobao Software has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel.

(iv) The Group shall be authorised by Alipay to operate a lottery channel on the Alipay platform, but Alipay has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel.

(v) So long as it is allowed under applicable laws and regulations, all lottery products that the Group has developed or is authorised to operate, shall be released on the Taobao and Alipay platforms, but not through any competing online channels. Notwithstanding the above, the Group may release such lottery products through its own platforms or Lottery Agencies serviced by the Group.

(vi) Ant Financial Group is permitted to cooperate with third parties regarding lottery sales as long as the annual gross merchandise volume generated from such cooperation with third parties does not reach a certain minimum threshold.

(vii) Taobao Software or Alipay are permitted to conduct certain lottery business (including through cooperation with other third parties), if the Group is prohibited by law from conducting such lottery business.

(viii) During the three years following the signing of the Business Cooperation Framework Agreement, the Group shall pay service fees to the relevant members of Alibaba Group and Ant Financial Group determined as a certain percentage of the commission income received by the Group for lottery sales contributed by the online lottery players introduced through Alibaba Group and Ant Financial Group's platforms.

After three years following signing of the Business Cooperation Framework Agreement, Taobao Software, Alipay and the Group will discuss and determine the service fees based on the market and other conditions at that time.

Further, Taobao Software and Alipay will provide technical services and resources, such as, cloud computing services and e-commerce, to the Group on a service fee to be agreed by the parties.

Prior to the implementation of the business cooperation set out above, the parties (or their respective Affiliates) will further negotiate and enter into definitive agreements setting out the scope of services, fee arrangements and other detailed terms and conditions.

The Group will cease to be the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business if the Shares (or voting rights) held by any individual or entity and their Affiliates (including parties acting in concert with any of them) are more than those held by Alibaba Group and Ant Financial Group (including parties acting in concert with any of them). In addition, the Group will cease to be the exclusive business platform of Ant Financial Group for the lottery business if Ant Financial Group ceases to, directly or indirectly, hold any Shares.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company:

(i) as at the Latest Practicable Date;

(ii) immediately upon Completion, assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion;

(iii) immediately upon Completion, assuming that (a) the Convertible Bonds are partially converted at the Adjusted Initial Conversion Price of HK$0.3013 so that the Subscriber holds more than 50% of the issued share capital of the Company while the Shares held by the public continue to represent 26.00% of the issued share capital of the Company, and (b) there is no other change in the issued share capital of the Company;

(iv) immediately upon Completion, assuming that the Convertible Bonds are converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share and there is no other change in the issued share capital of the Company;

(v) immediately upon Completion, assuming that the Convertible Bonds are converted in full at the adjusted Conversion Price (as if all the outstanding Consultant Options had been exercised) and there is no other change in the issued share capital of the Company; and

(vi) immediately upon Completion, assuming that (a) the Convertible Bonds are converted in full at the adjusted Conversion Price; (b) an additional 291,666,666 Shares have been issued by the Company to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction (and the Shares and options for the Shares to be granted thereunder); (c) an additional 615,829,525 Shares have been issued by the Company pursuant to the outstanding share options granted under the Share Option Schemes (including the Consultant Options) as at the Latest Practicable Date and (d) there is no other change in the issued share capital of the Company.

Name of Shareholder	(i) At the Latest Practicable Date		(ii) Assuming no conversion of the Convertible Bonds		(iii) Assuming partial conversion of the Convertible Bonds at the Adjusted Initial Conversion price of HK$0.3013 as currently anticipated		(iv) Assuming full conversion of the Convertible Bonds at the Adjusted Initial Conversion Price of HK$0.3013		(v) Assuming full conversion of the Convertible Bonds at the adjusted Conversion Price (as if all the outstanding Consultant Options had been exercised)		(vi) Assuming full conversion of the Convertible Bonds and issue of other Shares issuable under certain agreements and options	
	No. of Shares	*Approx %*	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*
Mr. Sun	2,033,328,000(1)	41.400	2,033,328,000(1)	20.900	2,033,328,000(1)	19.601	2,033,328,000(1)	16.813	2,033,328,000(1)	16.075	2,033,328,000(1)	14.561
Mr. Bai Jinmin	76,574,600	1.559	76,574,600	0.787	76,574,600	0.738	76,574,600	0.633	76,574,600	0.605	84,449,600(5)	0.605
Mr. Liang Yu	23,670,250	0.482	23,670,250	0.243	23,670,250	0.228	23,670,250	0.196	23,670,250	0.187	32,295,250(5)	0.231
Mr. Ho King Fung, Eric	10,643,961	0.217	10,643,961	0.109	10,643,961	0.103	10,643,961	0.088	10,643,961	0.084	42,575,844(5)	0.305
Ms. Monica Maria Nunes	875,000	0.018	875,000	0.009	875,000	0.008	875,000	0.007	875,000	0.007	2,000,000(5)	0.014
Mr. Cheng Guoming	–	0.000	–	0.000	–	–	–	0.000	–	0.000	44,944,800(5)	0.322
Dr. Gao Jack Qunyao	–	0.000	–	0.000	–	–	–	0.000	–	0.000	1,500,000(5)	0.011
Mr. Feng Qing	–	0.000	–	0.000	–	–	–	0.000	–	0.000	1,500,000(5)	0.011
Directors of the Company's Subsidiaries (other than the Directors)	69,139,250	1.408	69,139,250	0.711	69,139,250	0.666	69,139,250	0.572	69,139,250	0.547	122,707,929(6)	0.879
Subscriber and parties acting in concert with it	–	0.000	4,817,399,245	49.517(2)	5,462,369,344(3)	52.656	7,182,064,763	59.388	7,737,343,635	61.171	8,145,620,972(7)	58.330
Public shareholders	2,697,183,926	54.916	2,697,183,926	27.724	2,697,183,926	26.000	2,697,183,926	22.303(4)	2,697,183,926	21.324(4)	3,453,609,755(8)	24.731(4)
Total	**4,911,414,987**	**100.000**	**9,728,814,232**	**100.000**	**10,373,784,331**	**100.000**	**12,093,479,750**	**100.000**	**12,648,758,622**	**100.000**	**13,964,532,150**	**100.000**

Notes:

1. These Shares comprise 27,078,000 Shares beneficially owned by Mr. Sun and 2,006,250,000 Shares owned by Mr. Sun through his controlled corporation, Maxprofit.

2. Only in this scenario where the Convertible Bonds are not converted, Mr. Sun would, upon Completion, hold or control more than 20% of the voting rights of the Company, and Mr. Sun and the Subscriber would therefore be deemed to be acting in concert under class (1) of the definition of "acting in concert" under the Takeovers Code following Completion. Accordingly, in such scenario, the Subscriber together with parties acting or presumed to be acting in concert with it would hold an aggregate of 6,850,727,245 Shares, representing approximately 70.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. However, it is expected that the Subscriber will, immediately upon issue of the Subscription Shares at Completion, convert parts of the Convertible Bonds so that the Subscriber and Mr. Sun, as from immediately following Completion, hold 52.66% and 19.60% of the voting rights of the Company respectively. Accordingly, following Completion, Mr. Sun and the Subscriber will not be deemed to be parties acting in concert. As at the Latest Practicable Date, Mr. Sun is not acting in concert nor presumed to be acting in concert with the Subscriber.

3. The increase of an aggregate of 644,970,099 Shares in the number of Shares held by the Subscriber comprises the 644,970,099 Conversion Shares that are intended to be issued to the Subscriber immediately upon Completion. Details of the partial conversion are set out in the section headed "Subscription Agreement — The Subscription Shares and the Conversion Shares".

4. Under the terms of the Convertible Bonds, the Subscriber shall have the right to convert all or part of its Convertible Bonds into Shares provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules. Accordingly, the Subscriber will not be entitled to convert the Convertible Bonds in full and hence will not acquire the maximum voting rights as illustrated in this scenario, as the Company would otherwise fail to comply with the public float requirements under the GEM Listing Rules.

5. The increase in the number of Shares held by such Director represents the total number of Shares to be issued by the Company to such Director upon the exercise of existing share options granted to him/her under the Share Option Schemes.

6. The increase of an aggregate of 53,568,679 Shares in the number of Shares held by such directors represents the total number of Shares to be issued by the Company to directors of the Company's Subsidiaries (other than the Directors) pursuant to existing share options granted to them under the Share Option Schemes.

7. As set out in the section headed "Subscription Agreement — Principal Terms of the Convertible Bonds" above, the Conversion Price shall be adjusted if the Company further issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Consultant Options. The increase of an aggregate of 963,556,209 Shares as compared with scenario (iv) where the Convertible Bonds were converted in full at the Adjusted Initial Conversion Price of HK$0.3013 represents the additional number of Shares to be issued by the Company to the Subscriber upon full conversion of the Convertible Bonds at the adjusted Conversion Price.

8. The increase of an aggregate of 756,425,829 Shares in the number of Shares held by the public shareholders of the Company comprises (a) the additional 291,666,666 Shares to be issued by the Company to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction (and the Shares and options for the Shares to be granted thereunder); (b) the 391,307,163 Shares to be issued by the Company pursuant to the Consultant Options (excluding the 5,375,000 Shares to be issued to a consultant who is a director of the Company's Subsidiary); and (c) the 73,452,000 Shares to be issued by the Company pursuant to options granted to employees (other than the Directors or directors of the Company's Subsidiaries).

INFORMATION ON THE GROUP

The Company was incorporated in Bermuda and the Shares are listed on the GEM of the Stock Exchange. The Group is an integrated lottery technology and services company in the PRC lottery market. As at the Latest Practicable Date, the Group has a team of over 200 employees, and the footprint of the Group's lottery business covers multiple provinces and municipalities across the PRC.

The Group's vision and strategy is to be a fully integrated service provider for the PRC lottery industry. Its principal business activities comprise:

(i) Games and systems: the development and supply of lottery games, related software and underlying supporting systems to Lottery Sales Agencies;

(ii) Hardware: the development, sale and maintenance of lottery hardware (terminals and other lottery-related equipment);

(iii) Distribution: the sales and distribution of lottery games; and

(iv) Ancillary Services: the provision of ancillary services to Lottery Sales Agencies.

The Company is committed to applying international management concepts and advanced technologies to the PRC lottery industry along the entire value chain, covering lottery systems, lottery hardware, lottery games, internet and mobile smart phone systems and distribution, wireless network and streaming media, thereby providing the PRC's lottery authorities and millions of lottery players in the PRC with professional and integrated lottery services.

The Group is an associate member of each of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

The PRC lottery market

Overview and key participants

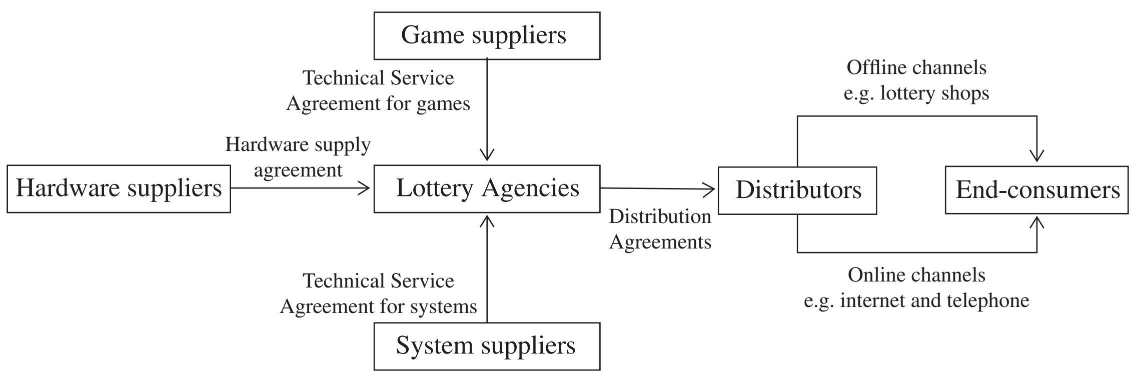
The PRC lottery market is a highly regulated market where the lottery products that are available as well as the market participants (and their respective activities) are subject to strict regulatory supervision, approval requirements and restrictions (for details please refer to the section headed "The PRC lottery regulatory environment relating to the Group's business" below).

Currently, two categories of lottery products are permitted for sale in the PRC lottery market: sports lottery products and welfare lottery products. There are many lottery products under these two categories, such as numbers-based lottery games drawn weekly, daily or even more frequently such as every 8 minutes, instant scratch games, betting on real and virtual sporting event outcomes (available as a sports lottery product only), video lottery terminals games (networked self-service gaming terminals similar in appearance to slot machines) and Keno (a high frequency numbers game available as a welfare lottery product only).

Each of such lottery products, including their underlying systems, is developed, maintained and operated by the Lottery Agencies and third party service providers that are engaged by the Lottery Agencies for the provision of lottery games, related software, underlying supporting systems, hardware and related technical services.

Lottery products are sold and distributed to end-consumers through licensed distributors which, depending on the lottery product, may require particular hardware for the sale of a product (such as terminals). In such circumstances, related hardware provided to Lottery Agencies will be passed on to distributors to facilitate their sale of relevant lottery products.

The chart below illustrates the PRC lottery market and the key participants involved:



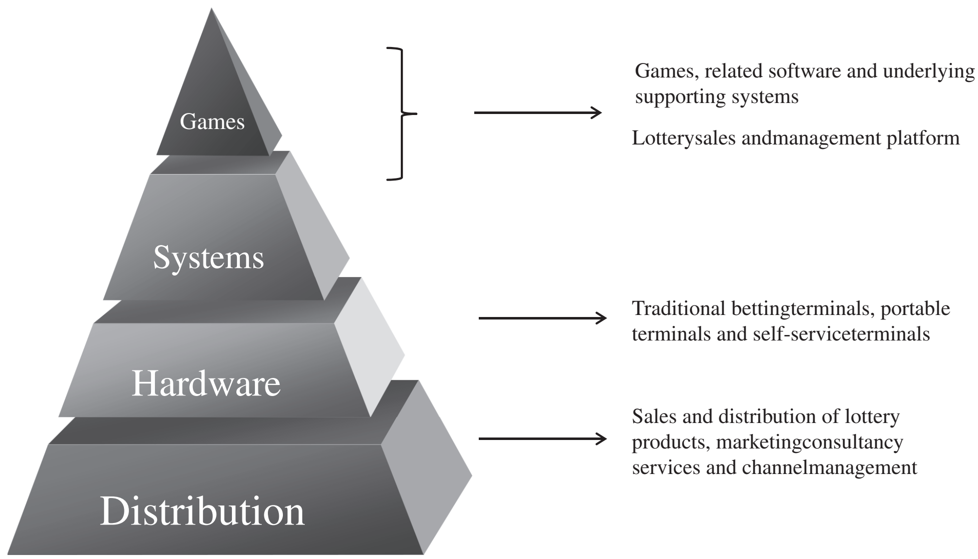
Market condition

According to the China Sports Lottery Administration Center, in 2013 adult lottery betting participation in the PRC is estimated to be approximately 7.5%. According to information available to the Group, participation in gambling/lottery activities in other countries in the region and elsewhere are considerably higher, for example: lottery betting participation rate in Hong Kong is 56% (year: 2012); lottery betting participation rate in Japan is 38% (year: 2007); and lottery betting participation rate in the United States of America is 57% (year: 1999).

The Group believes that this relatively low level of participation is a result of the relatively early stage of development of the PRC lottery market. In particular, limited development has been achieved in terms of technology sophistication, game categories and channels of distribution in the PRC lottery market.

Overview of key business segments of the PRC lottery market

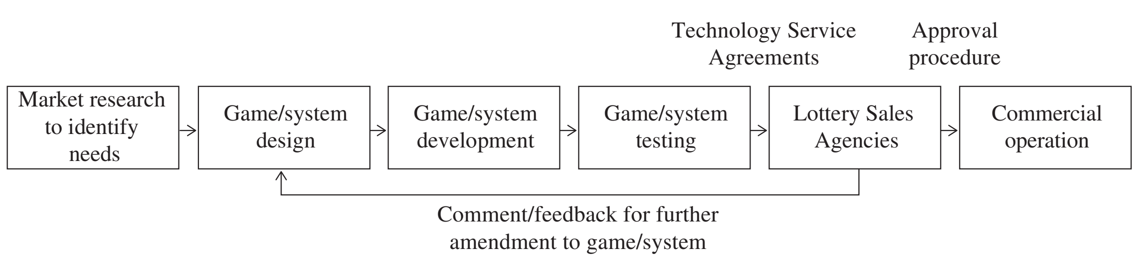
The following diagram illustrates the key business segments of the PRC lottery market:



Games and systems

The development and continuing maintenance of a lottery product (covering the contents of a game such as the design and the game rules) as well as the development, maintenance and operation of systems required for the offering and sale of a lottery product (including underlying software and hardware) require significant capital investments.

The following flow chart sets out the process of the development of a lottery game/related system until its commencement of commercial operations:



The procedure commencing from initial market research on the needs of Lottery Sales Agencies and end-customers up to the launch of a new lottery product in the market usually takes 3 to 5 years due to continuing negotiations with the relevant Lottery Agencies in compliance with governmental procurement requirements and strict scrutiny by the relevant approval authorities for launching the game in the market, which involves tremendous effort and significant capital investment. During the process, Lottery Sales Agencies continue to provide feedback for the Group to re-design and re-develop the game/system.

Once a lottery product has been approved for sale, additional capital investment is required to enhance the scalability of the supporting system in order to effectively launch commercial operations. Following the launch, the game/system supplier typically provides continuing support in respect of system maintenance and operation.

Where a lottery product is designed and developed by a third party service provider, the third party service provider will not receive any consideration for the design and development of the product upon 'delivery' to the Lottery Agency, but revenues are only generated by the third party service provider on a revenue sharing basis if it is engaged by the Lottery Agency as technical service provider and once the product is launched. Accordingly, the development of a lottery product requires significant upfront investment costs without having certainty that such costs may be recovered, as the successful launch of a new lottery product is not guaranteed.

Hardware

Where lottery products are offered offline, i.e. through physical lottery stores, some particular hardware products (such as point of sale terminals, verification devices etc.) are generally required to facilitate the sale of the lottery products.

The supply of such hardware is closely regulated and its supply in the PRC market is currently dominated by domestic suppliers.

Where a hardware product is not bundled with a lottery system, the relevant hardware product supplied to the Lottery Agencies must be generic in nature to ensure that it is capable of interfacing with multiple lottery systems and their underlying games. Supply contracts for such stand-alone generic hardware products generally entail the payment of a one-off fixed consideration and such hardware products are supplied with three to eight years warranty.

In contrast to the fixed consideration model, supply contracts for hardware products bundled with a lottery system (such as for Video Lottery Terminal) generally provide for a revenue-sharing model reflecting the more bespoke nature of this type of hardware products.

Distribution

At present most of the lottery products are offered and sold through physical lottery stores (i.e. offline channels). Any licensed distributor is only authorised to carry out lottery sales within the specific geographic area licensed by the Lottery Agencies.

Sales of lottery products through online channels mainly comprise (i) internet sales and (ii) telephone sales. The latter includes sales conducted by mobile phones through SMS, telephone call or mobile applications. Following the Announcement Regarding the Prohibition on Unauthorized Sale of Lottery Tickets Through Internet jointly promulgated by MOF and seven other ministries of the PRC government in April 2015 (the "**2015 Announcement of Eight Ministries**"), lottery sales through online channels can only be conducted through licensed online distributors approved by the MOF. Currently, only certain games (e.g. instant scratch games, sports betting games) have been approved for sale through licensed telephone distributors which distribute the relevant lottery games via telephone channel (including mobile phone channel).

It was reported that in 2014, when the sale of lottery through online channels was not strictly regulated by the MOF, approximately 22% out of the PRC's total lottery sales were generated via online channels such as internet and mobile applications. While lottery sales through online channels have been banned by the 2015 Announcement of Eight Ministries (except for the sale of certain games approved for sale through licensed telephone distributors), the Company believes that the online distribution channel may offer significant potential in the future.

Competitive environment

The competitive environment in the PRC lottery market features two groups of suppliers: domestic and international. The domestic suppliers are characterised as relatively small, low-tech players with a narrow focus on one or very few sub-segments of the lottery technology and services supply market. The international suppliers, by contrast, tend to be large, integrated lottery technology and service supply companies capable of providing full-service solutions across the range of verticals of game software and systems, hardware and distribution. As a result of its consistent, multi-year strategy, the Group is positioned as an integrated lottery technology and services company, and in this respect has deliberately adopted the integrated strategy of the international players.

As lottery products are subject to the examination and approval by relevant PRC governmental authorities before their launch in the PRC lottery market, international suppliers typically engage domestic lottery technology companies to localise and customise their technology and lottery product for market in the PRC. The Group has a track record of working with international lottery technology and services companies in relation to the localisation and customisation of games for launch in the PRC market. The Group regards this as a competitive advantage in the PRC lottery market, particularly in light of the increasingly sophisticated technology requirements in the market with respect to potential new games, systems, hardware and distribution channels.

As the PRC lottery market is still in its early stage of development and has considerable growth potential, many domestic and international companies are working with or seeking to work with the Lottery Issuance Agencies in order to participate in the anticipated future growth of the market.

Meanwhile, outside of the PRC, the past 24 months have seen significant consolidation activity in the international gambling and lottery supplier industry:

- 2015: GTECH S.p.A. acquired International Game Technology PLC (consideration: approximately US$6.4 billion)
- 2014: Scientific Games Corporation acquired Bally Technologies, Inc. (consideration: approximately US$5.1 billion)
- 2014: Aristocrat Leisure Ltd. acquired Video Gaming Technologies Inc. (consideration: approximately: US$1.3 billion)
- 2013: Scientific Games Corporation acquired WMS Industries Inc. (consideration: approximately US$1.5 billion)

These transactions have resulted in the creation of a small number of very substantial, very well resourced gambling and lottery technology supply companies. For example, the 2014 research and development budget of International Game Technology PLC and Scientific Games Corporation, two of the largest gambling and lottery technology supply companies, was US$333 million and US$244 million respectively. The Group anticipates that a material proportion of the R&D budgets of the world's largest gambling and lottery suppliers will be allocated to the PRC lottery market over the coming years. Therefore, it is expected that the competition in the PRC lottery market will become more intense in the near future.

Overview of the Group's Lottery Business

Over the years, the PRC lottery market has gone through various stages of developments with a constantly shifting focus on different business segments but the Group has demonstrated a track record of delivering and successfully building a balanced and complementary business portfolio in the PRC lottery market.

Since the inception of the Group's lottery business in 2007, the Group has consistently sought to become a fully-integrated lottery technology and services supply company in the PRC, adopting the strategy of international large integrated lottery technology and services companies. The Group adopted this strategy because it anticipated that the PRC lottery market would become increasingly sophisticated in terms of (i) game content and system, (ii) hardware technology as well as (iii) distribution channels. By becoming a fully-integrated lottery technology and services supplier, the Group differentiates itself from the domestic market players which are more segment-focused, and is well equipped to cooperate and compete with the international market players which share the same aspiration of the Group.

The Group believes that the PRC lottery market is poised to undergo a period of dramatic technological enhancement combined with a significant expansion of its player base through new forms of distribution (including, subject to approval, mobile and internet distribution channels). The Group considers itself to be well positioned to take advantage of these opportunities leveraging on its integrated business model, its experienced management team and strong network with first-tier market players in the global lottery market. The Company is of the view that the introduction of the Subscriber as a strategic investor and the financial benefits that will be derived from the Subscription are a reinforcement of the Group's long term strategy and its commitment to the above vision.

The Group's existing business and development strategy

Although the Group has historically been generating most of its revenue from the development, sale and maintenance of stand-alone basic lottery hardware, since its inception, the Group has consistently been following its long term strategy and vision to be offering a range of products and services along the entire value chain of the PRC lottery industry: from technical support in respect of its hardware, lottery games, related software and underlying supporting systems to sales and distribution (especially through online channels) of lottery products. Against the backdrop of an increased participation by domestic and international lottery suppliers and the rapid development of new channels and platforms such as internet and mobile smart phones, the Group anticipates that new attractive games with modern technology and new online distribution channels are essential to the Group's future success, and acknowledges that considerable capital investment will be a pre-requisite to effective participation.

Set out below is a summary of the Group's business and strategy for each of its business segments. In each of those segments, Lottery Agencies, being the only authorised institutions running the lottery business in the PRC, are the Group's only customers for lottery games, systems and hardware.

Games and systems

Development and supply of lottery games, related software and its underlying supporting systems to Lottery Sales Agencies

The Group is engaged by Lottery Sales Agencies as a technology supplier to supply lottery games and underlying supporting systems, and as a service provider to provide related technical services. The lottery games are developed and designed by the Group and its business partners and the Group is generating revenues through the supply of such lottery games, related software and underlying supporting systems and the provision of related technical services (covering, among others, operation and maintenance of the relevant lottery system) to Lottery Sales Agencies for a service fee under technical service agreements entered into with Lottery Sales Agencies. The Group also cooperates with major international lottery technology and services suppliers to co-develop, localise and customise lottery products for use in the PRC lottery market.

Through AGT, the Group's joint venture with Ladbroke Group, and the subsidiaries of AGT, the Group has developed and successfully launched a Ministry of Finance-approved virtual fixed odds sports betting system as well as the first games running thereon comprising "Lucky Racing" and "e-Ball Lottery". As at the Latest Practicable Date, these two games are the only revenue-generating games of the Group.

The Group has launched a number of strategic initiatives to introduce new types of lottery games in the PRC, including a mobile smart phone lottery game and system, a high frequency numbers-based lottery game, and a poker lottery game. Set out below is a list of such lottery games, related software and supporting systems that are currently being developed, co-developed, localised or customised by the Group and which the Group intends to introduce to the market to generate revenue for the Group in the future, pending relevant regulatory approvals having been obtained and technical service agreements being entered into with Lottery Sales Agencies.

Products under development/pending approval	Category
Mobile lottery Sales and Management platform	Paperless Lottery Sales Management Platform
Mobile Lottery Sales Platform	Paperless Lottery Sales Management Platform
Cupid iOS Client Software	Paperless Lottery Sales Management Platform
Cupid Android Client Software	Paperless Lottery Sales Management Platform
AGB Website Syndicated Center Software	Paperless Lottery Sales Management Platform
AGB Syndicated Software	Paperless Lottery Sales Management Platform
AGB Account Operation Software	Paperless Lottery Sales Management Platform
AGB Account Details Software	Paperless Lottery Sales Management Platform
AGB Account information Software	Paperless Lottery Sales Management Platform
AGB Prize Publish Software	Paperless Lottery Sales Management Platform
AGB Users Purchase Records Software	Paperless Lottery Sales Management Platform
AGB Pick 5 from 11 Lottery Tickets Software	Paperless Lottery Sales Management Platform

Products under development/pending approval	Category
AGB Welfare 3D Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Help Center Software	Paperless Lottery Sales Management Platform
AGB Lucky Racing Game Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Virtual Football Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Statistic Analysis Software	Paperless Lottery Sales Management Platform
AGB Time Synchronisation Management Software	Paperless Lottery Sales Management Platform
AGB Task Scheduler Management Software	Paperless Lottery Sales Management Platform
AGB Consulting Management Software	Paperless Lottery Sales Management Platform
AGB Draw Prize Management Software	Paperless Lottery Sales Management Platform
AGB Payout Management Software	Paperless Lottery Sales Management Platform
AGB Security Warning Software	Paperless Lottery Sales Management Platform
AGB Risk Management Software	Paperless Lottery Sales Management Platform
AGB Games Management Software	Paperless Lottery Sales Management Platform
AGB Betting Management Software	Paperless Lottery Sales Management Platform
AGB Red Envelope Management Software	Paperless Lottery Sales Management Platform
Self-service Lottery Terminal Management System	Self-service Lottery Terminal Management System
Self-service Lottery Terminal Betting System	Self-service Lottery Terminal Betting System
Client-ware of Poseidon Self-service System	Paperless Lottery Sales Management Platform
e-Bingo game software and its supporting/ related systems	High Frequency Numbers-Based Lottery Game and System
Map-concept lottery game and its supporting/ related systems	Mobile Smart Phone Lottery Game and System
Read and Present Instant ticket Device	Smart Device Instant Lottery Verification and Sales System
Dragon Mobile Instant Scratch Lottery Game	Mobile Instant Scratch Lottery Game
Lucky Numbers Mobile Instant Scratch Lottery Game	Mobile Instant Scratch Lottery Game
Chess and Poker Lottery Games and related supporting systems	Chess and Poker Mobile Interactive Lottery Game and System

The products listed above are at varying stages in the product development and approval lifecycle. The Company expects that the R&D costs for conceiving these games, making them ready for the approval application process and, if then approved, for bringing them to market and enhancing their scalability will be significant and ongoing in nature.

In addition, the Group is also engaged in the development or localisation of other games provided by various major international lottery technology and services suppliers. Those games are still in the preliminary process of development/localisation and have not yet been presented to Lottery Agencies for application purposes. The on-going technology development work associated with these projects is expected to be significant and costly.

The Group does not receive any revenue for the development of lottery games, game software, related supporting systems or lottery hardware. Income is only generated after the entering into of relevant technical services agreement and upon the launch of a lottery game. As the launch of a lottery game is subject to the MOF's approval (as described below in the section "The PRC Lottery Regulatory Environment Relating to the Group's Business"), there is no assurance that the new lottery games that the Group is currently developing or that have been submitted to the MOF for approval will be accepted and approved by the MOF. Without the prior approvals and consents from the necessary authorities, including the MOF's approval, there is no assurance that the new lottery games that are currently being developed by the Group or that have been submitted to the MOF for approval will be launched to the market. Accordingly, the Group may not be able to recover its costs and expenses incurred for the development of these lottery games and the Group may not be able to realise the revenues it is aiming to realise through these newly developed lottery games.

Further, the Group acts as a technology supplier to Lottery Sales Agencies and receives service fees on and subject to the terms and conditions of the relevant technical service agreements entered into with Lottery Sales Agencies. Accordingly, the terms and conditions of such technical service agreements are critical to the Group. The terms of the technical service agreements that the Group may enter in the future in respect of lottery games that are currently under development or that have been submitted to the MOF for approval may not be as favourable as the terms that the Group is expecting. There is also no assurance that such service agreements can be entered into by the Group at all.

So far as the Group understands, as the PRC lottery market is still in an early stage of development, there is a limited supply of experienced personnel and advanced technology. PRC lottery suppliers have limited R&D capability, and most of the lottery products now available in the PRC lack modern technologies and are less entertaining than the popular lottery games available in the global market. The Group believes that the lack of attractive lottery games is one of the reasons for the relatively low level of adult lottery betting participation in the PRC compared to other countries. Therefore, the Group considers that the ability to supply attractive lottery games and underlying supporting systems and bring in global modern technology would be crucial for it to gain and strengthen its market position. To achieve this, resources will need to be allocated to attract talented personnel, to invest in R&D activities, and to acquire advanced technology and systems from major international lottery technology and services suppliers.

Hardware

Development, sales and maintenance of lottery hardware

The Group also develops, sells and maintains lottery hardware (including terminals and other lottery-related equipment), which serve as a platform for users to place bets for games operated by the Lottery Agencies (including for the Group's lottery games). The Group generates revenue by (i) the sale of lottery hardware to Lottery Sales Agencies in return for a fixed consideration; and (ii) the provision of related technical services for the operation and maintenance of these platforms in return for services fees.

Set out below is a list of hardware terminals and lottery-related equipment developed and maintained by the Group as at the Latest Practicable Date:

Category Product and Series No.	Category
Series RS6500, CP86, CJ3000, C8, M6, A210 and LB680	Computerised Lottery Terminals
GMT80	Instant Ticket Verification Terminals (IVT) for sports lottery market

Category Product and Series No.	Category
LB380, LB480, LB380n, LB580S, JK8100L	Instant Ticket Verification Terminals(IVT) for welfare lottery market
BCR	Instant Ticket Barcode Reader compatible with sports lottery second generation system
SSP	Self-service Lottery Terminals
Information Display Box	Multimedia Video Box
Video e-instant lottery Terminal	Video Lottery Terminal

In light of rapid technology development in the modern age, the Group believes that ongoing R&D activities are essential to ensure that the Groups' hardware business remains up-to-date and equipped with competitive technology. In addition, the Group believes that opportunities are likely to emerge to complement its existing fixed consideration lottery hardware products with more sophisticated hardware solutions that can be deployed to the market as bundled products involving the supply of hardware that is integrated with lottery games and underlying supporting systems and which would benefit from a revenue sharing model. Such new hardware opportunities offer considerable potential but will require significant upfront development costs and, if approved, considerable on-going capital.

Distribution

Sales and Distribution of Lottery Games

The Group operates two offline lottery shops in Jiangsu Province and Hunan Province for the sale and distribution of lottery games (including games developed by the Group as well as Lottery Agencies or other third parties) at provincial level. The Group believes that the operation of distribution points allows the Group to directly gauge and assess market needs and interests, which enables the Group to improve its lottery products as well as its marketing strategies.

As part of the Group's vertical integration strategy and in anticipation of the future growth in the market, the Group intends to acquire licensed lottery distributors in different provinces to expand its sales and distribution network.

In light of the proven potential of the mobile and internet channels, and the recently reported comments of senior Lottery Agency and regulator officials at a recent annual lottery strategy meeting regarding the lottery's active pursuit of preparatory work for an internet sales pilot scheme, the Group believes that new approvals for lottery sales in the PRC through online and mobile channels are likely to be approved. Given the popularity of the internet and mobile smart phones, should these channels re-open, the Group expects competition for online sales and distribution of lottery products to become increasingly intense.

In order to prepare itself for a re-opening of the online distribution market and to enable the Group to be competitive in the online lottery distribution business, the Company considers the following factors to be crucial for its future business and development:

- *Advanced technology and control mechanisms.* The Group understands that a major reason for the implementation of the 2015 Announcement of Eight Ministries is to allow for proper regulation of sales and distribution of lottery through online channels. Therefore, the Group believes that adequate technology and control mechanisms will be essential to secure the relevant approvals under the 2015 Announcement of Eight Ministries. In particular, the Group believes that any new games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. So far as the Group is aware, such technology has not yet matured in the PRC.

- *Effective marketing and advertising campaign.* The success of online distribution of lottery products depends on its popularity and accessibility to end-customers, which in turn requires effective marketing and advertising campaigns. Marketing and advertising is extremely costly. 500.com, a major PRC online lottery distribution company, reported a sales and marketing expense of US$28 million in 2014 (representing approximately 38.9% of its total costs of operating expenses for the relevant year).

The development of the technology that will enable the Group to offer scalable distribution and the launch of effective marketing and advertising campaign as described above will require significant capital investment by the Group. The Group believes that access to market-leading online lottery content, system and distribution technology as well as cost-effective access to high-volume distribution channels will be a key to successful online sales and distribution of lottery products and it is in line with the Group's long term strategy and vision to tap into the online lottery market. The Group expects that, should the mobile and internet channels re-open, the Group will benefit significantly from the existing resources of the Subscriber, Alibaba Group and Ant Financial Group pursuant to the Business Cooperation Framework Agreement. At the Latest Practicable Date, in order to put itself in a strategic position in the market when the mobile and internet channels re-open, the Group is also in the process of acquiring two targets which would potentially provide the Group with online lottery distribution rights in certain provinces.

However, while the potential of the mobile and internet distribution channels is huge, there is uncertainty as to when such channels will be approved and whether the Group will obtain the requisite licenses or acquire the right targets with such license to conduct online sales and distribution of lottery products, as the relevant laws and regulations are relatively new.

Services

Provision of Other Ancillary Services

Incidental to the services set out above, the Group is also from time to time engaged by Lottery Sales Agencies for the provision of other ancillary services such as consulting, marketing, training and channel management.

The PRC Lottery Regulatory Environment Relating to the Group's Business

Lottery Regulatory Authorities

Since 1991, the PRC government has promulgated a series of rules and regulations to administer the lottery industry in the PRC.

The State Council is vested with the power to authorise the issue of welfare lottery and sports lottery. The State Council is also the highest authority for granting the right to issue lotteries.

Two categories of lottery products are currently approved by the State Council, namely sports lottery products and welfare lottery products, which are issued by China Sports Lottery Administration Center and China Welfare Lottery Issuance and Administration Center (i.e. the Lottery Issuance Agencies), respectively.

The PRC lottery regulatory regime is administered through the following authorities and institutions:

- The MOF is responsible for administering, regulating and supervising the national lottery industry, whereas the provincial counterparts of the MOF are responsible for administering and supervising the lottery industry within their respective administrative regions.

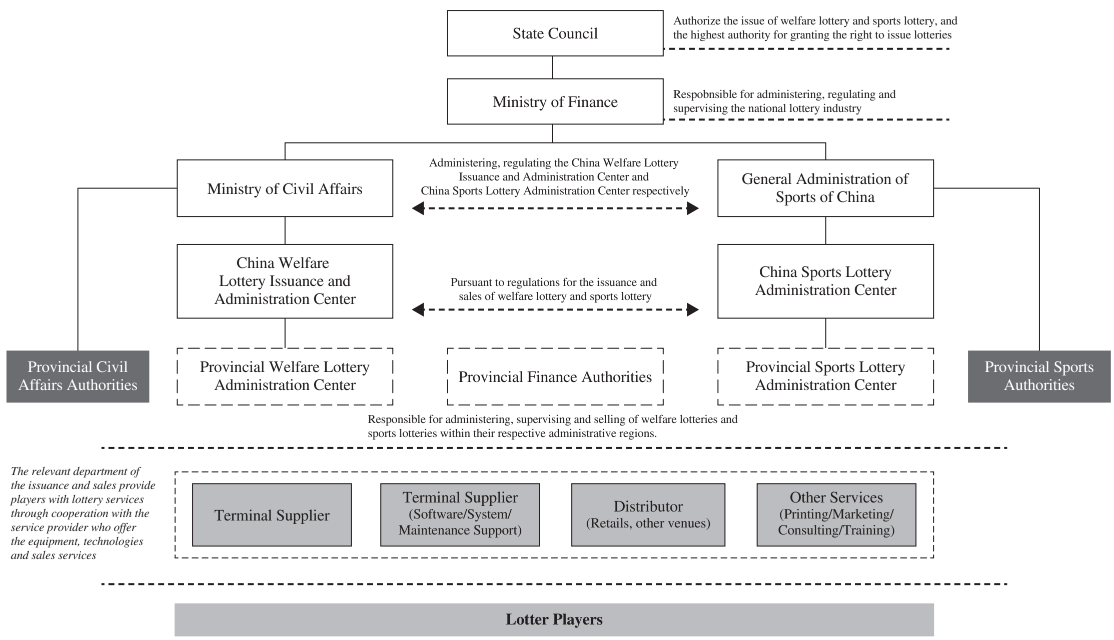
- The Ministry of Civil Affairs (the "**MOCA**") and the General Administration of Sport of China (the "**GASC**") are responsible for administering and regulating welfare lottery and sports lottery, respectively.

- The civil affairs departments and sports administration departments of provincial governments are responsible for the administration of welfare lotteries and sports lotteries within their respective administrative regions.

- The China Welfare Lottery Issuance and Administration Center and the China Sports Lottery Administration Center (collectively, the "**Lottery Issuance Agencies**") are responsible for the issuance and organisation of sales of welfare lotteries and sports lotteries at the national level.

- Lottery sales offices established by the civil affairs' departments and sports administration departments of the PRC government at the provincial level (the "**Lottery Sales Agencies**") are responsible for the sales of the welfare lotteries and sports lotteries that are distributed within their respective administrative regions.

The following organisation chart illustrates the overall governmental administrative authority in the PRC lottery operation:



Approval and Implementation of New Lottery Games

Prior to the launch of a new lottery game, a Lottery Issuance Agency is required to apply to the MOCA or the GASC for creating a specific type of welfare or sports lottery game, for changing approved items of existing games (including game rules) or for abolishing existing games, which application will then be further submitted to the MOF for its examination and approval.

Upon the approval by the MOF, the relevant Lottery Agency will then enter into a technical services agreement with a third party technology provider in relation to the implementation, operation, management and maintenance of the new lottery game.

In addition, a relevant Lottery Sales Agency will prepare a sales implementation plan, which addresses, among other things, the proposed sales commencement date, promotion plans and risk control measures for the new lottery game.

Under the technical service contract entered into by the Lottery Agency with the relevant third party technology provider, the technology supplier provides the Lottery Agency with the lottery game (comprising mainly the design and rules of the game) and the underlying supporting systems for the operation of the game by the Lottery Agency as well as ancillary maintenance services in consideration for the payment of a remuneration or service fee. Under this cooperation model as currently in place in the PRC for the development and operation of lottery games, the third party technology provider also assists the Lottery Agencies in ensuring compliance with relevant reporting and application procedures as required by law.

In practice, a technical service agreements in respect of a new lottery game may be signed before the game is approved by the MOF, in which case, however, the effectiveness of the technical service agreement will be subject to the obtaining of final approvals and consents from the necessary authorities, including, the MOF's approval of the lottery game, and the provincial finance authorities' approval on governmental procurement.

New Lottery Distributorship Approval Procedures

Separate licensing requirements apply in respect of the sale and retail of lottery games.

Generally, under the applicable PRC laws and regulations, a distribution licence for the sale and distribution of lottery games through offline channels, i.e. land-based lottery shops, has to be obtained from the Lottery Agencies, and no approval by the MOF is required. However, the sale of lottery through new channels (including internet sales and telephone sales) requires relevant distribution licenses approved by the MOF. Under the applicable PRC regulations, the sale of lottery through mobile phones is regarded as telephone sales and therefore a telephone distribution license is required for sales and distribution of lottery through mobile applications.

Uncertainties for the Group resulting from the PRC regulatory regime

- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration centers may be discontinued or subject to restriction and regulations by the relevant national lottery administration centers. There is no assurance that the lottery products underlying the system and technology supplied by the Group will be maintained, and if such lottery products are discontinued or restricted, there may be an adverse effect on the revenue, financial condition and results of operations of the Group.

- In addition, the Group's business model in respect of the Group's existing supply of lottery games and the underlying supporting systems is largely based on revenue sharing of the sales of lotteries in certain provinces. There are risks that the administrative authorities might adjust the percentage of issue fees of sales of lotteries. In the case of decrease of issue fees, the technology providers receiving service fees on revenue-sharing basis may be requested to decrease their fees proportionally.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands and indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Financial. The principal activity of the Subscriber is investment holding.

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. As of the Latest Practicable Date, substantial shareholders (as defined in the Takeovers Code) of Alibaba Holding are SoftBank Group Corp., a company listed on the Tokyo Stock Exchange, and Yahoo! Inc. which (directly or indirectly) hold approximately 32.2% and 15.5%, respectively, of the shares in Alibaba Holding.

Alibaba Group's mission is to make it easy to do business anywhere. It is the largest online and mobile commerce company in the world in terms of gross merchandise volume. Founded in 1999, Alibaba Holding provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses.

Alibaba Holding's major businesses include:

- Taobao Marketplace (www.taobao.com), the PRC's largest online shopping destination;
- Tmall.com (www.tmall.com), the PRC's largest third-party platform for brands and retailers;
- Juhuasuan (www.juhuasuan.com), the PRC's most popular online group buying marketplace;
- Alitrip (www.alitrip.com), a leading online travel service platform;
- AliExpress (www.aliexpress.com), a global online marketplace for consumers to buy directly from the PRC;
- Alibaba.com (www.alibaba.com), the PRC's largest global online wholesale platform for small businesses;
- 1688.com (www.1688.com), a leading online wholesale marketplace in the PRC; and
- AliCloud (www.alicloud.com), a provider of cloud computing services to businesses and entrepreneurs.

Ant Financial Group is focused on serving small and micro enterprises as well as consumers. With vision "to turn trust into wealth", Ant Financial Group is dedicated to building an open ecosystem of Internet thinking and technologies while working with other financial institutions to support the future needs of society. Businesses operated by Ant Financial Group include Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Zhima Credit.

As of the Latest Practicable Date, approximately 42.28% of Ant Financial's equity interests are held by Hangzhou Junhan Equity Investment Partnership ("**Junhan**"), a PRC limited partnership, approximately 34.15% of its equity interests are held by Hangzhou Junao Equity Investment Partnership ("**Junao**"), a PRC limited partnership, and approximately 23.57% of its equity interests are held by other shareholders. The economic interests in Junhan and Junao are currently owned by Jack Ma, the senior management and other employees of Alibaba Holding Group and Ant Financial Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are parties independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company.

DEALING AND INTEREST OF THE SUBSCRIBER, ALIBABA HOLDING, ANT FINANCIAL AND PARTIES ACTING IN CONCERT WITH ANY OF THEM IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, save for the Subscription:

(i) the Subscriber and parties acting in concert with it do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) the Subscriber and parties acting in concert with it have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and the Whitewash Waiver, with any other persons;

(iv) there is no agreement or arrangement to which the Subscriber or any party acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and

(v) none of the Subscriber or any party acting in concert with it have received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Except for the entering into of the Subscription Agreement, none of the Subscriber and parties acting in concert with it, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the Relevant Period.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue and promote the development of the existing business of the Group leveraging on the experience, expertise and resources of the Subscriber and its Affiliates, including, in particular, Alibaba Group's experience and service offerings in the areas of e-commerce platforms, cloud computing and data processing. Under the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out above), it is further intended that the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for their respective lottery businesses. In addition, should the online sales and distribution channels for lottery games re-open, the Subscriber expects that its proposed investment in the Company and its proposed cooperation with the Company as contemplated under the Business Cooperation Framework Agreement will provide synergy to the Group's online lottery business, and potentially expand the client-base of both Alibaba Group and Ant Financial Group on the one hand and the Group on the other hand.

The Subscriber currently does not have the intention to implement any major downsizing measures in respect of the Group's business or to introduce any other major changes in the business of the Group, including any redeployment of the fixed assets of the Group. In particular, the currently contemplated Business Cooperation Framework Agreement does not provide for the injection of any of the technologies, assets or businesses owned by the Subscriber, Alibaba Group and/or Ant Financial Group into the Group nor any collaboration for the co-development of any new technology.

Except as contemplated under the Business Cooperation Framework Agreement, as at the Latest Practicable Date, the Subscriber, Alibaba Group and/or Ant Financial Group on the one hand and the Group on the other hand have not entered into or formulated, nor are negotiating (or engaged in any ongoing discussions with each other in respect of), any definitive plans, proposals, arrangements or agreements in respect of the injection and sale of technologies, assets or businesses by the Subscriber, Alibaba Group and/or Ant Financial Group to the Group or in respect of the co-development of new technology.

Notwithstanding the foregoing, the Company will continue to assess its business needs and may, subject to compliance with the applicable laws and regulations (including, in particular, any shareholders' approval, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules), enter into arrangements with the Subscriber and/or its Affiliates in respect of the co-development of new technology in the future if such arrangements are in the interest of the Company and the Shareholders as a whole.

The Subscriber currently has no intention to make any major changes to the continued employment of the employees of the Group (except as set out in the section headed "Subscription Agreement – Other arrangements relating to senior management team of the Company" above and the proposed nomination of the individuals whose biographical and other details are set out in Appendix II to this circular as the candidates for election as Directors for consideration and, if thought fit, approval by the Independent Shareholders at the SGM). If the candidates nominated by the Subscriber are approved by the Independent Shareholders at the SGM, their appointment as Directors will take effect from the Completion. An announcement will be made by the Company upon the appointment of those candidates (if approved by the Independent Shareholders at the SGM) in compliance with the applicable Listing Rules.

REASONS FOR THE SUBSCRIPTION

The Directors (including members of the Independent Board Committee whose opinion is set out in the Letter from the Independent Board Committee in this circular) are of the view that:

(a) the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group, the largest online and mobile commerce company in the world in terms of gross merchandise volume, and Ant Financial Group, which operates businesses such as Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Zhima Credit.

(b) Upon the terms of the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out above), the Group is intended to become the exclusive business platform of Alibaba Holding and Ant Financial for lottery businesses. In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce. The Company expects that this will enable the Group to develop and expand its existing offline lottery business and, in particular, the mobile and internet lottery business where the Group sees significant synergy potential.

(c) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective acquisition opportunities as and when they arise.

(d) The Subscription Price and the Conversion Price of HK$0.3478 represents a premium of approximately 51.36% over the audited consolidated net asset per Share as at 31 December 2015 as set out above. The Adjusted Initial Conversion Price of HK$0.3013 represents a premium of approximately 31.12% to the audited net asset value per Share of approximately HK$0.2298 as at 31 December 2015.

(e) The trading price of the Shares has been volatile for the past 12 months prior to the date of the Announcement, ranging from HK$0.7400 on 4 March 2015 to HK$1.9900 on 4 March 2016 and the price per Share has risen by approximately 169% in the past 12 months. Therefore, the Company considers that the recent trading price of the Shares is not a suitable to be seen as a decisive reference for determining the Subscription Price and the Conversion Price.

In light of the factors set out above, the Directors (including members of the Independent Board Committee whose opinion is set out in the Letter from the Independent Board Committee in this circular) consider that the terms of the Subscription are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription would amount to approximately HK$2,388,000,000. The net proceeds, after taking into account the estimated expenses in relation to the Subscription, would be approximately HK$2,380,000,000, representing a net price of approximately HK$0.3466 per Subscription Share.

The net proceeds from the Subscription will be used to fund the existing operations and future development of the Company's existing principal businesses. In particular, the proceeds of the Subscription are intended to be allocated for each of the business segments and for general corporate purposes as follows:

(i) **Games and systems:** approximately HK$1,200 million (i.e. approximately 50.42%) of the proceeds are intended to be used to fund the expansion of the Group's existing business in relation to the development of lottery games, related software and underlying supporting systems. In particular, proceeds are intended to be allocated towards:

(a) *capital investment in on-going development of new lottery games to be introduced to the market in near future pending regulatory approval.* The Company intends to allocate approximately HK$300 million of the proceeds to this category. As set out in the table under the section headed "The Group's existing business and development strategy – Games and Systems – Development and supply of lottery games, related software and its underlying supporting systems to Lottery Sales Agencies" above, the Group has been developing, co-developing, localising or customising lottery games, related software and underlying supporting systems which are intended to be introduced to the market in the near future, subject to the approval of relevant governmental authorities and signing of relevant technical services agreements with Lottery Sales Agencies. Once approved, considerable investments are required in order to enhance the scalability of these games, software and systems before they can be formally launched in the market;

(b) *research and development of new lottery products of the Group*. The Company intends to allocate approximately HK$300 million of the proceeds to this category. The Group has invested in, and will continue to invest in the R&D activities in respect of new lottery products to expand the Group's product base. Two major international lottery technology and services companies have indicated their willingness to cooperate with the Group and to provide the Group with a considerable number of new games for the Group's localisation and customisation and introduction to the PRC lottery market. The Group expects significant R&D investments (which include the recruitment for additional technical staff) to be allocated to towards the localisation and customisation of such new games to the PRC lottery market. Although the amount of funds intended to be used by the Group for R&D is not comparable to that of major global market players, the Company expects that such funds should be sufficient to support the Group's R&D activities in the next two to three years;

(c) *expansion and development of the Group's R&D capability in technology development for games and systems*. The Company intends to allocate approximately HK$150 million of the proceeds to this category. The Group strives to develop its own R&D capability, and will continuously invest into its existing on-going lottery technology development work, including but not limited to establishing its own R&D centre and recruiting experienced local and international personnel to join its R&D team;

(d) *acquisition of lottery systems and lottery games or companies which have such systems and games*. The Company intends to allocate approximately HK$400 million to HK$800 million of the proceeds to this category *(Note)*. "Lucky Racing", "e-Ball Lottery" as well as several new types of lottery games the Group plans to launch in the near future have been or are being co-developed, localised or customised by the Group based on systems and games originally developed by major international lottery technology and services companies. While the Group will strive to build up its own R&D ability as mentioned in sub-paragraph (c) above, an alternative and at times more efficient option for the Group may be to acquire lottery systems and lottery games from major lottery suppliers in the global market, or to acquire companies which have such products and technologies directly. The Group has been searching for, and will continue to search for, suitable acquisition targets with a view to carry out such acquisitions within the next two years; and

Note: This part of the proceeds shall be taken into consideration in conjunction with the use of proceeds mentioned in sub-paragraphs (b) and (c) above. If the Company successfully acquires a target which also owns strong development abilities, the use of proceeds under (b) and (c) above will be adjusted accordingly.

(e) *funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets.* The Company intends to allocate approximately HK$50 million of the proceeds to this category. As disclosed in the Company's circular dated 8 December 2014 and the announcement of the Company dated 8 January 2015, part of the consideration for the Score Value Transaction shall be payable upon the fulfillment of certain performance targets as set out in the relevant acquisition agreement. Since the major reason for the Score Value Transaction is the technical ability of its subsidiary to develop lottery games for mobile smart phones, if the performance targets in respect of the Score Value Transaction are not met, and as a result, the part of the remaining cash consideration for the Score Value Transaction in the amount of approximately HK$50 million ceases to be payable, the Group will continue to seek targets which have similar abilities and allocate that part of the fund for such acquisitions accordingly.

(ii) **Hardware:** approximately HK$120 million (i.e. approximately 5.04%) of the proceeds are intended to be used to fund R&D activities to upgrade the Group's hardware with more sophisticated technology to keep up with latest technology development. With adequate capital, the Group will be able to develop hardware solutions that can be bundled and integrated with the lottery games and underlying supporting systems, and to expand the existing revenue-sharing model from games and underlying supporting system business to its hardware business in the PRC lottery market;

(iii) **Distribution:** approximately HK$850 million (i.e. approximately 35.71%) of the proceeds are intended to be used to fund the expansion of the Group's offline sales and distribution network and the construction of the Group's online sales and distribution network as follows:

(a) *expansion of offline sales and distribution business.* The Company intends to allocate approximately HK$100 million of the proceeds to this category. The Group considers that offline sales and distribution remains important to promote offline lottery games provided by the Group and/or other third parties, to strengthen the Group's customer-base in preparation of its potential mobile and internet lottery distribution channels, as well as to create an interactive online-offline business model. This part of the proceeds are mainly applied as initial marketing and advertising expenses to introduce the Group's lottery shops to the market;

(b) *marketing and advertising campaigns for its existing offline lottery games.* The Company intends to allocate approximately HK$100 million of the proceeds to this category. Since those games are provided to the Lottery Sales Agencies on revenue-sharing basis, marketing and advertising activities can significant push up the sales volume and benefit the Group. The Group will need to continue to spend on marketing and advertising campaigns to attract and retain offline customers;

(c) *acquisitions of online and offline distributors.* The Company intends to allocate approximately HK$250 million of the proceeds to this category. Presently, other than the two offline lottery shops in Jiangsu Province and Hunan Province, the Group does not possess other direct sales and distribution channels. By acquiring licensed online and offline distributors, the Group will be able to expand its footprint in the PRC and extend its sales and distribution network (especially its online distribution network such as internet and mobile channels) as part of the Group's vertical integration into the lottery industry. The Group has identified some suitable targets which would potentially provide the Group with online lottery distribution rights in certain provinces, and plans to carry out the acquisitions in the coming one to two years; and

(d) *online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay).* The Company intends to allocate approximately HK$400 million of the proceeds to this category. The Group takes the view that new online distributor licenses (including internet and mobile channels) for lottery sales in the PRC are likely to be approved, and resources will be allocated to cater for technical upgrade of the relevant software and systems. The proposed cooperation between the Group with Taobao Software and Alipay as contemplated under the Business Cooperation Framework Agreement is expected to provide the Group with access to massive online traffic generated by Taobao Software and Alipay. Considerable costs will be involved to enhance capability and scalability of the Group's systems to accommodate such massive online traffic, and to set up corresponding service centers (normally call centers) to facilitate such online sales and distribution of lottery products. Furthermore, the Group will need to continue to spend on marketing and advertising campaigns to attract and retain online customers.

(iv) **General corporate purposes:** approximately HK$210 million (i.e. approximately 8.82%) of the proceeds are intended to be used to repay existing debts of the Group and as general working capital of the Group as follows:

(a) *repayment of existing debts of the Group.* The Group intends to allocate approximately HK$60 million of the proceeds to this category. The debts owed by the Group comprise existing bank borrowings as well as debts owed to its suppliers. As far as the Company is aware after having made reasonable enquiries, the respective lending banks and suppliers do not hold Shares at the Latest Practicable Date. As at the close of business on 30 April 2016, the Group had bank borrowings of approximately HK$47.8 million outstanding.

(b) *general working capital of the Group.* The Group intends to allocate approximately HK$150 million of the proceeds to this category. This part of the proceeds shall be allocated as working capital to certain subsidiaries for the implementation of the aforesaid expansion plan as set out in the paragraphs (i) to (iii) above within the next two years.

After Completion, the Company will monitor the progress of the actual use of proceeds of the Subscription, and disclose the amount of proceeds allocated to each category together with the amount of proceeds actually utilised in its subsequent half-year, quarterly and annual reports. The Company will also provide explanations for any material difference between the intended use and the actual use (including, where applicable, the expected timing for application of proceeds not yet used) in its subsequent annual reports. In addition, in the event that the actual use of proceeds of the Subscription significantly deviates from the intended use as disclosed above (or as subsequently disclosed by the Company), the Company will appropriately disclose such information as soon as reasonably practicable by way of an inside information announcement if and when required under the Inside Information Provisions (as defined under the GEM Listing Rules).

Most of those above mentioned activities require significant upfront investment. The Group expects to deploy proceeds from the Subscription in stages over a period of two to three years according to the proportion set out above. Set out below is the Group's plan to utilise approximately HK$1,330 million (representing approximately 55.88% of the aggregate net proceeds from the Subscription) in the next 12 months from the date of Completion:

Item			**Amount** *(HK$ million)*
(i)	**Games and systems:** Expansion of the Group's existing business relation to the development of lottery games, related software and underlying supporting systems		
	(a)	*capital investment in on-going development of new lottery games to be introduced to the market pending regulatory approval*	100
	(b)	*research and development of new lottery products of the Group*	100
	(c)	*expansion and development of the Group's R&D capability in technology development for games and systems*	50
	(d)	*acquisition of lottery systems and lottery games or companies which have such systems and games*	500
	(e)	*funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets*	50
		Sub-total	**800**

Item		Amount *(HK$ million)*
(ii)	**Hardware:** R&D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to Lottery Agencies based on a revenue-sharing model	80
(iii)	**Distribution:** Expansion/constructions of the Group's sales and distribution offline/online network by:	
	(a) expansion of offline sales and distribution business	50
	(b) marketing and advertising campaigns for its existing offline lottery games	50
	(c) acquisitions of online and offline distributors	150
	(d) online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay)	100
	Sub-total	**350**
(iv)	**General corporate purposes:**	
	(a) repayment of existing debts of the Group	60
	(b) general working capital of the Group	40
	Sub-total	**100**
	Total	**1,330**

The above detailed utilisation plan for the use of proceeds was prepared based on the following major assumptions:

1) the Group is engaged by the Lottery Sales Agencies as the technical service provider for certain of the lottery games currently pending the regulatory approval within the Group's expected timetable;

2) the Group enters into supply agreements with Lottery Agencies for the supply of hardware on a revenue sharing basis;

3) the Group acquires lottery games and systems from lottery suppliers in the global market, and/or acquires such suppliers;

4) the Group's cooperation with international lottery technology and services companies for the localisation and customisation of lottery products has reached a substantive stage;

5) the Group acquires suitable online and offline distributors; and

6) there is no material adverse change in the lottery related regulations/laws in the PRC.

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the present financial resources available to the Group and the expected funding needs of the Group, the net proceeds from Subscription will be able to satisfy the Company's expected funding needs for the next 12 months from the date of Completion in the absence of unforeseen circumstances. In addition, the Company currently has no plans to conduct further fund raising activities in the next 12 months.

NO FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save for the Subscription, the Company did not undertake any equity fund raising exercise in the past 12 months immediately prior to the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Upon issue of the Subscription Shares at Completion, assuming that there are no other changes in the issued share capital of the Company except for the issue of the Subscription Shares, the Subscriber (together with parties acting in concert with it) would in aggregate hold approximately 49.52% of the voting rights of the Company as enlarged by the issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would therefore be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber (and parties acting in concert with it), unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares.

If, following issue of the Subscription Shares at Completion, the Convertible Bonds are converted (partly or in whole) and Conversion Shares are allotted and issued to the Subscriber, various occasions may arise where the Subscriber's holding of voting rights of the Company may increase by more than 2% within any 12 month period from a holding of voting rights of between 30% and 50%.

For example, if the Convertible Bonds were converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share immediately following issue of the Subscription Shares at Completion, the holding of voting rights by the Subscriber (together with parties acting in concert with it) would increase from 49.52% (as held by the Subscriber immediately upon issue of the Subscription Shares at Completion) to approximately 59.39% of the issued share capital of the Company (as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares, and assuming no other changes in the issued share capital of the Company). Similarly, while the Subscriber's holding of voting rights as from immediately following Completion is expected to be 52.66% due to a partial conversion of the Convertible Bonds immediately following the issue of the Subscription Shares at Completion (as described in the section headed "Subscription Agreement — The Subscription Shares and the Conversion Shares" above), the issue of Shares to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction and/or the issue of Shares under share options granted under the Share Option Schemes after Completion may dilute the Subscriber's holding of voting rights to a percentage of between 30% and 50%, in which case a subsequent issue of Conversion Shares upon a conversion of the remaining Convertible Bonds may result again in an increase of the Subscriber's holding of voting rights by more than 2% within any 12 month period from a holding of voting rights of between 30% and 50%.

On any such occasion where the Subscriber's holding of voting rights of the Company increases by more than 2% within any 12 month period from a holding of voting rights of between 30% and 50%, pursuant to the 2% creeper rule under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber (and parties acting in concert with it), unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive that the Whitewash Waiver extends to the allotment and issue of the Conversion Shares.

The Executive has indicated that it will, subject to, among other things, approval by the Independent Shareholders at the SGM by way of a poll, grant the Whitewash Waiver in respect of both the Subscription Shares and the Conversion Shares.

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the Subscriber and parties acting in concert with it may further increase their shareholdings in the Company through the conversion of the Convertible Bonds and, as long as the Subscriber continues to hold more than 50% of the voting rights of the Company following Completion, also through other means, in either case without incurring any further obligations under Rule 26 of the Takeovers Code to make a mandatory general offer.

LISTING RULES IMPLICATIONS FOLLOWING COMPLETION IN RESPECT OF THE BUSINESS COOPERATION FRAMEWORK AGREEMENT

Following Completion, the Subscriber will become the controlling shareholder of the Company. Accordingly, Taobao Software, Alipay and their respective subsidiaries will become connected persons of the Company, and the transactions between Taobao Software, Alipay and/or their respective subsidiaries (on the one hand) and the Group (on the other hand) will, subject to entering into definitive agreements setting out the scope of services, fee arrangements and other detailed terms and conditions, constitute continuing connected transactions of the Company.

As described in the section headed "The Subscription Agreement — Business Cooperation Framework Agreement" above, the Business Cooperation Framework Agreement is a framework agreement setting out the key principles of the contemplated cooperation between the Group, Alibaba Group and Ant Financial Group. Prior to the implementation of any business cooperation contemplated under the Business Cooperation Framework Agreement, the parties (or their respective Affiliates) will further negotiate and enter into definitive agreements setting out the scope of services, fee arrangements and other detailed terms and conditions. Since no actual transactions between the parties will be carried out under the Business Cooperation Framework Agreement, the entering into of the Business Cooperation Framework Agreement at Completion will not constitute a continuing connected transaction subject to any of the shareholders' approval, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules.

To date, as the online sales and distribution channels for lottery products have not re-opened yet, the scope of technical services which the Group may provide in the future in relation to the provision or distribution of online lottery products (nor the detailed fee arrangements in connection therewith) have not been and cannot be determined yet. Accordingly, the Company is unable to estimate the expected revenue which online sales of lottery products to online lottery players introduced by Taobao Software and Alipay's platforms may contribute in the future. Similarly, the Group is unable to estimate its demand for technical services to be provided by Taobao Software and Alipay, or the expected service fees involved. Taobao Software and Alipay will provide services to the Group contemplated under the Business Cooperation Framework Agreement once the online sales and distribution channels for lottery products re-open.

Accordingly, the Company does not have the basis to determine the actual scope of services and annual cap amounts for the transactions contemplated under the Business Cooperation Framework Agreement or to calculate the relevant size tests. Similarly, the Board is unable to estimate whether the transactions contemplated under the Business Cooperation Framework Agreement will be subject to (i) any exemptions; or; (ii) any of the announcement, independent shareholder approval and/or annual review requirements under Chapter 20 of the GEM Listing Rules. The Company will comply with applicable requirements in accordance with Chapter 20 of the GEM Listing Rules (including, where applicable, obtaining independent shareholders' approval) as and when required.

As at the Latest Practicable Date, save for the Subscription, the Group does not have any on-going transactions with the Subscriber and its associates. Save for the transactions contemplated under the Business Cooperation Framework Agreement as set out in the section headed "The Subscription Agreement — Business Cooperation Framework Agreement" above (which are subject to the entering into of definitive agreements), the Group currently does not contemplate to have any other on-going transactions with the Subscriber and its associates after Completion.

Notwithstanding the transactions contemplated under the Business Cooperation Agreement, the Board believes that, following Completion, (i) the risk of reliance on Alibaba Group and/or Ant Financial Group is not significant, and (ii) the Group will be capable of carrying out its business independently of the Subscriber and its associates, on the following grounds:

1. The online sales and distribution for lottery products is the only business segment in which the Company currently expects to generate additional revenues through Alibaba Group and/or Ant Financial while the Group will continue operating its other revenue-generating business segments.

   As detailed in the section headed "Information on the Group — Overview of the Group's Lottery Business" above, the Group's long term strategy and vision is to continue to be an integrated lottery technology and service provider which offers a range of products and services along the entire value chain of the PRC lottery industry in the following four business segments: (i) development and supply of lottery games, related software and underlying supporting systems; (ii) development, sales and maintenance of lottery hardware; (iii) sales and distribution of lottery games; and (iv) provision of ancillary services to Lottery Sales Agencies.

   The Company expects that the Subscriber will be playing a larger role only in the online distribution of lottery products by sharing the platforms maintained by its associates to the Group, and, as at the Latest Practicable Date, the Company and the Subscriber have not engaged in discussions in respect of cooperation in any of the other business segments of the Group.

The Company intends to continue developing its capabilities in all of its existing business segments and continue to be an integrated lottery technology and services provider. The reason is that the various business segments of the Group are complementary to each other (e.g. the Group may sell and distribute its own lottery games and generate income both as a service provider of technical services in connection therewith and as a distributor), and the Board believes that such integrated business model can strengthen the Group's market position in the PRC lottery industry. While the Group's sales and distribution channels may also sell and distribute lottery products developed by other third parties, it is in the interests of the Group to continue to develop its own games and systems as well as hardware, so that the Group may distribute its own lottery products and receive income in various capacities in respect of the same lottery product. Accordingly, since the Group is already engaged in the development of lottery games and possesses the relevant expertise and experience in such area, there is no intention for the Group to focus on online sales and distribution only and downsize any of its other business segments.

The Company would like to draw the Shareholders' attention to the Group's results for the decrease in revenue for the three months ended 31 March 2016 (the "**Three-Month Period**") of approximately 59.9% as compared to that for the same period in 2015, which was mainly due to reduced sales of lottery hardware products during the Three-Month Period. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Revenue in this business segment typically exhibits an irregular pattern since not only are sales not on a commission basis but also the customer base is concentrated and the timing of orders from customers can be variable. Thus, while over longer periods of time, orders and revenues tend to be stable, in the short term volatility can be seen. The Company confirms that the decrease in revenue is not the result of any action that the Company has taken to downsize its existing business segments.

The Company further reiterates that it has no immediate plans to implement any major downsizing measures in respect of its existing business segments. Going forward, the Company will continue to monitor the prevailing market trends and conditions of the PRC lottery industry, and adjust its business strategy and/or explore new cooperation opportunities with a view to achieving a balanced development of the Group's business along the entire value chain of the PRC lottery industry.

2. Online sales and distribution of lottery products is only a part of the Group's business activities and revenue in other business segments is expected to increase.

As further described in the section headed "Information on the Group — The Group's existing business and development strategy — Games and systems" above, the Group only has two revenue-generating games as at the Latest Practicable Date. However, the Group has been developing, co-developing, localising and/or customising various lottery games, related software and supporting systems and intends to introduce some of these games to the market to generate more revenue for the Group. As further described in the section headed "Information on the Group — The Group's existing business and development strategy — Hardware" above, the Group intends to develop more sophisticated hardware solutions that would benefit from a revenue sharing model. As set out in the section headed "Use of Proceeds" above, the Group intends to allocate proceeds from the Subscription towards the R&D of these other business segments of the Group. The Board believes that these other business segments can benefit from the funding as a result of the Subscription, so that these other business segments may grow and generate more revenues for the Group in the future.

3. Platforms of Alibaba Group and/or Ant Financial Group will not be the only online sales and distribution channels of the Group.

   Although the Group will become the exclusive business platform of Alibaba and Ant Financial for the lottery business, the Group is allowed to sell and distribute online lottery products not only on the platforms maintained by Alibaba Group and/or Ant Financial Group but also through its own platforms or through Lottery Agencies serviced by the Group. Accordingly, the platforms of Alibaba Group and/or Ant Financial Group will not be the sole platforms for the Group to sell and distribute online lottery products.

4. The business and operations of the Group are intended to be managed by substantially the same existing management team of the Company following Completion.

   As described in the sections headed "Board Composition", "Re-appointment of Mr. Sun as chief executive officer and renewal of his service contract as from Completion" and "Other arrangements relating to senior management team of the Company" above, it is currently expected that the business and operations of the Group will be managed by substantially the same existing management team of the Group after Completion. As the Group was capable of carrying out its business independently prior to the Completion, the Board believes that the Group will be able to carry out its business independently after Completion under the management of substantially the same existing management team.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$20,000,000 divided into 10,000,000,000 Shares, of which 4,911,414,987 Shares have been allotted and issued as fully paid or credited as fully paid. As at the Latest Practicable Date, other than the said 4,911,414,987 Shares and 615,829,525 outstanding share options granted by the Company, the Company does not have any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

In order for the Company to carry out the Subscription and to fulfil its pre-existing obligations involving issue of Shares, the Board proposes to increase the authorised share capital of the Company to HK$40,000,000 divided into 20,000,000,000 Shares by the creation of an additional 10,000,000,000 Shares (i.e. the Authorised Share Capital Increase). The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders at the SGM.

Immediately after the Authorised Share Capital Increase the authorised share capital of the Company will be HK$40,000,000 divided into 20,000,000,000 Shares.

An ordinary resolution, to be voted by way of a poll, to approve the Authorised Share Capital Increase will be proposed at the SGM.

CHANGE IN COMPOSITION OF THE BOARD

Resignation of Directors

Subject to the Completion having taken place, each of Mr. Bai Jinmin, Mr. Liang Yu, Mr. Cheng Guoming and Mr. Ho King Fung, Eric will resign as Directors with effect from the Completion Date.

Proposed appointment of Directors

In place of the above resigning Directors, the Board proposes to appoint the following candidates, who are nominated by the Subscriber pursuant to the Subscription Agreement and as agreed between the parties, as Directors with effect upon the Completion, subject to the Shareholders' approval by ordinary resolutions at the SGM in accordance with Bye-law 86(1) of the Bye-laws:

(a) Mr. Zhou Haijing as an executive Director;

(b) Mr. Zhang Qin as a non-executive Director;

(c) Mr. Yang Guang as a non-executive Director;

(d) Mr. Ji Gang as a non-executive Director; and

(e) Mr. Zhang Wei as a non-executive Director;

The biographical details of the above candidates as required to be disclosed under the GEM Listing Rules are provided by the Subscriber and set out in Appendix II to this circular.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Ho King Fung, Eric, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao, being all the non-executive Directors, has been established to give recommendations to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. None of the non-executive Directors is involved in, or interested in, the Subscription or the Whitewash Waiver.

Somerley Capital Limited (a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO) has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in respect of the fairness and reasonableness of the Subscription and the Whitewash Waiver.

THE SGM

The SGM will be convened and held at 11 a.m. on Friday, 10 June 2016 at conference room of HLB Hodgson Impey Cheng Limited at 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong for the Shareholders to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the specific mandate under which the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; (v) the Authorised Share Capital Increase and (vi) the appointment of the Subscriber's nominees as Directors to the Board.

All Shareholders will be able to vote on the Authorised Share Capital Increase and the appointment of the Subscriber's nominees as Directors to the Board.

The Subscriber and parties acting in concert with it do not currently hold any Shares and accordingly will not vote on any of the resolutions at the SGM.

As at the Latest Practicable Date, Mr. Sun and Maxprofit are interested in an aggregate of 2,033,328,000 Shares (representing approximately 41.40% of the issued share capital of the Company). As Mr. Sun and Maxprofit are parties to the Subscription Agreement, each of them and their respective associates will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

As at the Latest Practicable Date, Mr. Bai and Mr. Liang are interested in 76,574,600 Shares (representing approximately 1.56% of the issued share capital of the Company) and 23,670,250 Shares (representing approximately 0.48% of the issued share capital of the Company), respectively. As Mr. Bai and Mr. Liang are involved in the negotiation of the Subscription, each of them and their respective associates, will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

As Mr. Cheng, who is involved in the negotiation of the Subscription, and his associates do not currently hold any Shares, none of them will be entitled to vote on any of the resolutions at the SGM. If Mr. Cheng exercises any of his outstanding 44,944,800 share options prior to the date of the SGM, he will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

As at the Latest Practicable Date, Mr. Ho King Fung, Eric (a non-executive Director) and Ms. Monica Maria Nunes (an independent non-executive Director), are interested in 10,643,961 Shares (representing 0.217% of the total issued share capital of the Company) and 875,000 Shares (representing 0.018% of the total issued share capital of the Company), respectively. Since neither Mr. Ho King Fung, Eric nor Ms. Monica Maria Nunes is involved in, or interested in, the Subscription, the Board takes the view that neither of them has a material interest in the Subscription. Accordingly, they and their respective associates are not required to abstain from voting at the SGM to approve the Subscription.

The SGM Notice is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. The return of a form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so desire. The voting in respect of the proposed resolutions contained in the SGM Notice will be conducted by way of a poll at the SGM prescribed under the GEM Listing Rules. An announcement on the poll results will be made by the Company after the SGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription and the Whitewash Waiver.

The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the specific mandate under which the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; (v) the Authorised Share Capital Increase; and (vi) the appointment of the Subscriber's nominees as Directors to the Board are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the SGM.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular and the SGM Notice.

Yours faithfully,
By order of the Board
AGTech Holdings Limited
Sun Ho
Chairman & CEO

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

AGTech Holdings Limited
亞博科技控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 8279)

25 May 2016

To the Independent Shareholders

Dear Sir or Madam

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 25 May 2016 of the Company (the ''**Circular**'') of which this letter forms part.

Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 58 of the Circular, and the letter from the Independent Financial Adviser, as set out on pages IFA-1 to IFA-60 of the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription and the Whitewash Waiver are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

* *For identification purpose only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve, among other things, the Subscription and the Whitewash Waiver.

Yours faithfully
Independent Board Committee

Mr. Ho King Fung, Eric *Non-executive Director*	**Ms. Monica Maria Nunes** *Independent non-executive Director*
Mr. Feng Qing *Independent non-executive Director*	**Dr. Gao Jack Qunyao** *Independent non-executive Director*

The following is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 May 2016

To: *the Independent Board Committee and*
the Independent Shareholders

Dear Sirs,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Subscription; and (ii) the Whitewash Waiver (collectively, the "**Transactions**"). Details of the Transactions are set out in the circular of the Company to the Shareholders dated 25 May 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 4 March 2016, the Company entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 4,817,399,245 Subscription Shares at the Subscription Price of HK$0.3478 per Subscription Share; and (ii) Convertible Bonds in aggregate principal amount of HK$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the initial Conversion Price (the "**Initial Conversion Price**") of HK$0.3478 per Conversion Share.

Upon the issue of the Subscription Shares at Completion, assuming that there are no other changes in the issued share capital of the Company except for the issue of the Subscription Shares, the Subscriber (together with the parties acting in concert with it) would in aggregate hold approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would therefore be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber (and parties acting in concert with it), unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares.

If, following issue of the Subscription Shares at Completion, the Convertible Bonds are converted (partly or in whole) and the Conversion Shares are allotted and issued to the Subscriber, various occasions may arise where the Subscriber's holding of voting rights of the Company may increase by more than 2% within any 12 month period from a holding of voting rights of between 30% and 50%, and pursuant to the 2% creeper rule under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber (and parties acting in concert with it), unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive that the Whitewash Waiver extends to the allotment and issue of the Conversion Shares. It is the Subscriber's intention to convert such number of the Convertible Bonds immediately upon Completion which will ensure that the Subscriber will hold Shares representing more than 50% of the total issued share capital of the Company as from the date of Completion, provided that such conversion shall not result in a breach by the Company of the requirement under the GEM Listing Rules that no less than 25% of the issued share capital of the Company are held by the public.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by a way of a poll.

As Mr. Sun and Maxprofit are parties to the Subscription Agreement, each of them and their respective associates will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM. As Mr. Bai and Mr. Liang are involved in the negotiation of the Subscription, each of them and their respective associates will also abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. As Mr. Cheng, who is involved in the negotiation of the Subscription, and his associates do not currently hold any Shares, none of them will vote on any of the resolutions at the SGM. However, if Mr. Cheng exercises any of his outstanding 44,944,800 share options prior to the date of the SGM, he will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

The Independent Board Committee comprising all of the non-executive Directors, namely Mr. Ho King Fung, Eric, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao, has been established to advise the Independent Shareholders on whether (i) the terms of the Subscription and the Whitewash Waiver are fair and reasonable; and (ii) the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, its controlling shareholder, the Subscriber or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the Whitewash Waiver. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. In the last two years, there has been no other engagement between the Company and Somerley Capital Limited. Accordingly, we do not consider any conflict of interest arises for Somerley Capital Limited in acting as the independent financial adviser of the Transactions.

In formulating our opinion, we have reviewed, among other things, the Subscription Agreement, the first quarterly report of the Company for the three months ended 31 March 2016 (the "**2016 Q1 Report**"), the annual report of the Company for each of the years ended 31 December 2015 (the "**2015 Annual Report**") and 31 December 2014 (the "**2014 Annual Report**") and information set out in the Circular. We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Subscriber or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the SGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such representations.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable, we have taken into account the principal factors and reasons set out below:

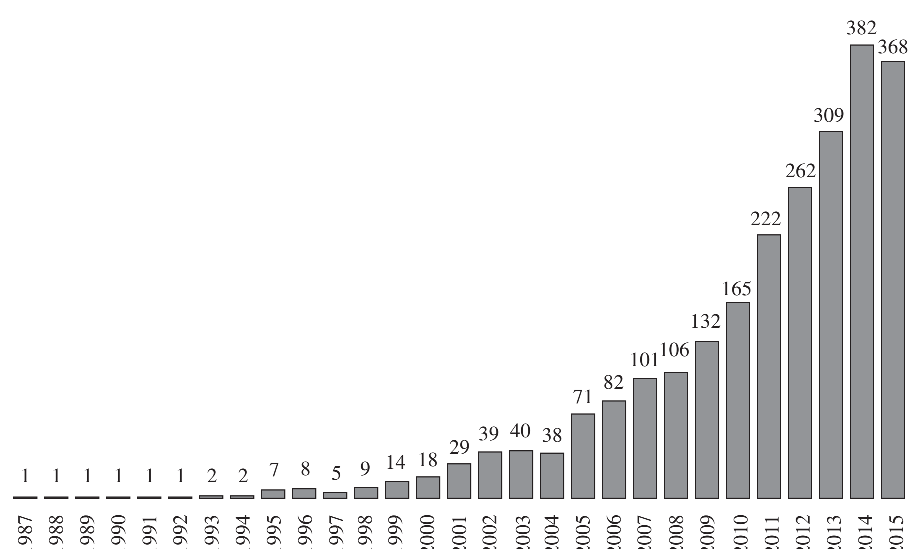
Background to and reasons for the Subscription

(a) Overview of the PRC lottery industry

The regulated lottery industry in China was launched in 1987. Lottery sales have increased at a compound annual growth rate of approximately 32% between 1987 and 2014. During this time, the products on offer have gradually expanded from simple lotto games to today's comprehensive range of products.

The following chart illustrates the regulated lottery sales in the PRC from 1987 to 2015:

PRC's regulated lottery sales: 1987-2015 (RMB billion)



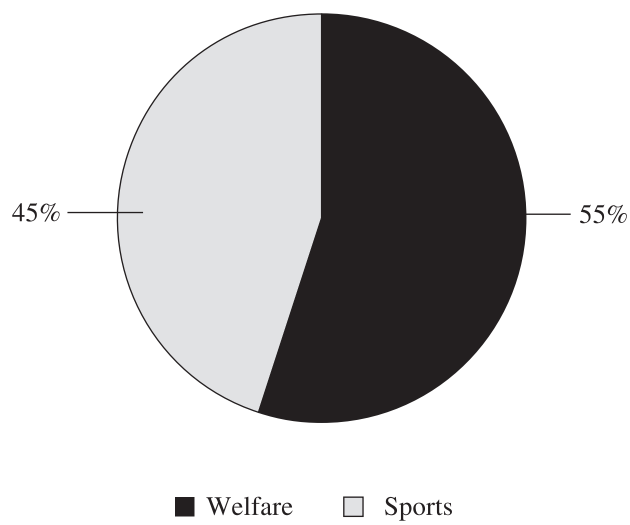
*Source: Ministry of Finance of the PRC (the "**MOF**")*

The growth has been driven by a number of factors including growth in disposable income, increased prize payout ratios, the introduction of more appealing products as well as changes to the retail distribution network through the internet and mobile channels (prior to the cessation of such interface in 2015, which will be discussed in the sub-section headed "Lottery industry regulatory overview – The 2015 Announcement of Eight Ministries" below).

Two government agencies are currently approved as authorised lottery operators by the State Council of the PRC (the "**State Council**"), to run different categories of lottery products, namely (1) sports lottery products issued by China Sports Lottery Administration Centre; and (2) welfare lottery products issued by China Welfare Lottery Issuance and Administration Centre, respectively.

The following chart illustrates the lottery sales in the PRC in 2015 contributed by (i) sports lottery; and (ii) welfare lottery:

Total lottery sales by lottery (2015)



Source: MOF

Both lotteries provide significant levels of funding for good causes: social welfare in the country and building community sports facilities. According to figures published by Sina.com, the lotteries were able to distribute approximately RMB98 billion to good causes in 2015.

The welfare lottery and the sports lottery have four major product categories as follows:

Category *(note 1)*	**Descriptions**	**Used in Welfare lottery?**	**Used in Sports lottery?**
Lotto	lotto type lottery game products that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour	v	v
Sports	single match betting and traditional football betting, on FIFA Category A soccer matches (for example the English Premiership, European Champions League, the FIFA World Cup, etc.) and the United States' NBA basketball tournament, and related betting	x (not permitted)	v
Video lottery terminals ("**VLT**")	networked self-service lottery terminals that facilitate rapid play of themed, graphically-rich lottery games	v	v *(note 2)*
Scratch	instant scratch cards	v	v

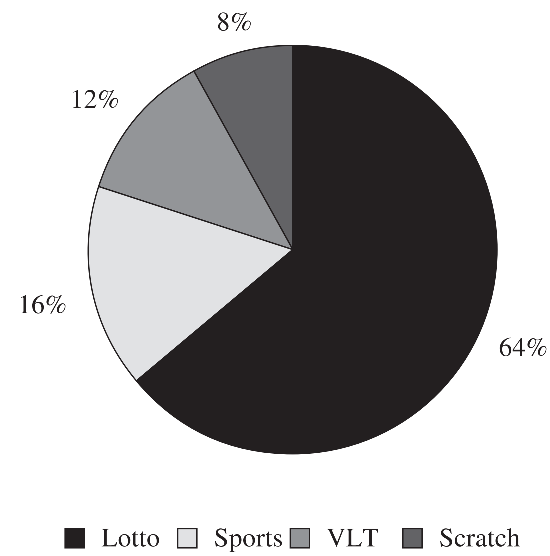
Notes:

1. On top of the four major categories, keno product is also a category used by the MOF, but the sales amount of keno products was immaterial as compared to the four major categories.

2. Historically, VLT has only been permitted in the welfare lottery although a trial VLT product was launched in the sports lottery during 2015.

The following chart illustrates the lottery sales in the PRC in 2015 contributed by different major product categories:

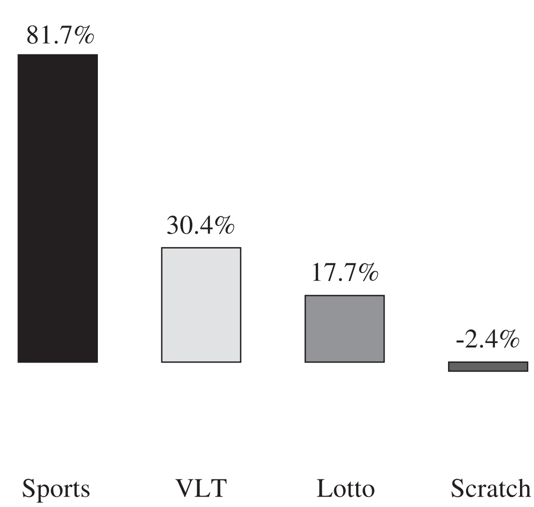
Market share of sales by major game type (2015)



Source: MOF

The traditional lotto games contributed the majority of the market share, while sports and VLT games, which could offer wide varieties of game with rich and attractive content (notably the 2014 International Federation of Association Football (FIFA) World Cup in the case of sports), are seen to be the growth drivers recently. This is demonstrated by the PRC's lottery sales growth comparison by product (2014 against 2013). As the overall PRC's lottery sales in 2015 decreased as compared to 2014 primarily due to the policy of the 2015 Announcement of Eight Ministries, it is considered that the 2015 figures was somewhat distorted and was not appropriate to serve as a good indicator for identifying growth drivers in the market.

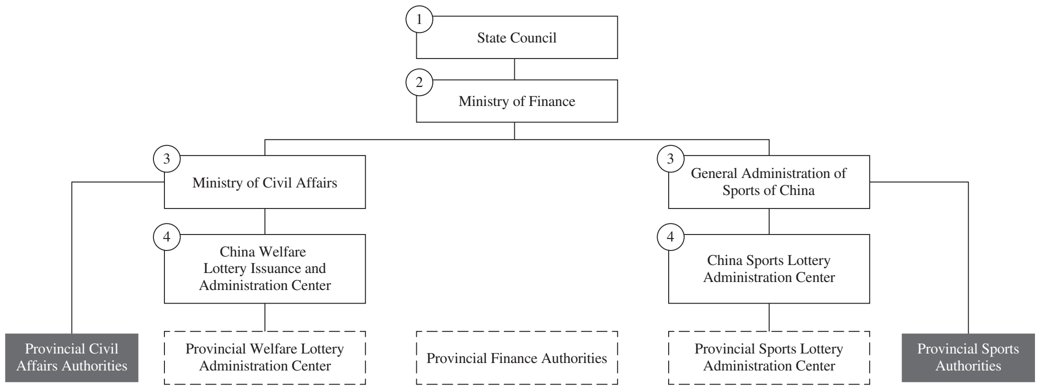
The PRC's lottery sales growth comparison by product (2014 against 2013)



Source: MOF

Lottery industry regulatory overview

The following organisation chart illustrates the overall governmental administrative authority in the PRC lottery operation:



The PRC lottery regulatory regime is administered through the following authorities and institutions:

1. The State Council is vested with the power to authorise the issue of sports lottery and welfare lottery, and is also the highest authority to grant the rights to issue lotteries.

2. The MOF, reporting to the State Council, is responsible for administering, regulating and supervising the national lottery industry.

3. The MOCA and the GASC, both reporting to the MOF, are responsible for administering and regulating welfare lottery and sports lottery, respectively.

4. The Lottery Issuance Agencies, namely the China Welfare Lottery Issuance and Administration Center and the China Sports Lottery Administration Center, established by the MOCA and the GASC respectively, are responsible for the issuance and organisation of sales of welfare lotteries and sports lotteries at the national level.

Finance authorities, civil affairs authorities and sports administration authorities of provincial governments are responsible for the administration of welfare lotteries and sports lotteries within their respective administrative regions.

The 2015 Announcement of Eight Ministries

The decision taken by the authorities to prohibit all unauthorised remote lottery ticket sales activity during the year had a significant impact on lottery ticket sales growth between 2014 and 2015.

All lottery sales through online channels have been banned by the 2015 Announcement of Eight Ministries. Lottery sales through online channels can only be conducted through licensed online distributors approved by the MOF. Currently, only certain games (e.g. instant scratch games, sports betting games) have been approved for sale through licensed telephone distributors which distribute the relevant lottery games via telephone channel (including mobile phone channel).

Potential policy change in future

The PRC authorities intend to channel the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network.

The impact of the 2015 Announcement of Eight Ministries is expected to be ongoing and is seen as an important step to a more clearly regulated operation, management and distribution model. In light of the proven potential of the mobile and internet channels, it is widely expected that selected lottery products will obtain approvals for sales through online and mobile channels in certain provinces in future.

In fact, China's lottery market has started to activate the trial sale of new types of mobile phone lottery games in various provinces. A notable example of such is a sports lottery game in Jiangsu province which obtained MOF's approval in April 2015 to launch its trial sales on mobile phones.

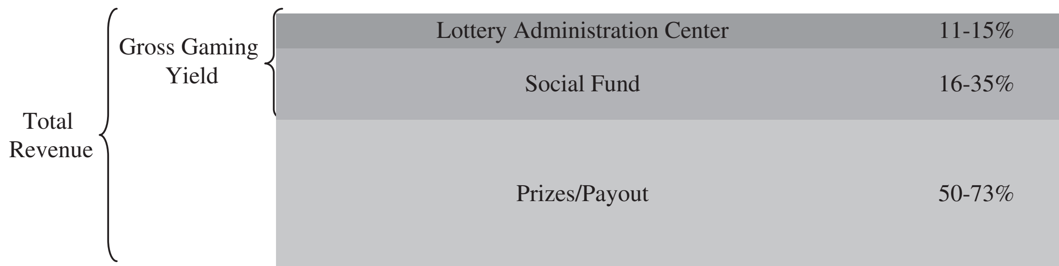
It is believed that approvals for lottery sales in the PRC through online and mobile channels are likely to begin soon. At the national sports lottery annual strategy meeting held in Beijing in January 2016, the deputy director of the China Sports Lottery Administration Center pronounced at a public speech that the authority is actively pursuing preparatory work for internet sales pilot scheme.

Revenue distribution among lottery market stakeholders

The China Welfare Lottery Issuance and Administration Center and the China Sports Lottery Administration Center (together with their departments at provincial level) are responsible for the issuance and organisation of sales of welfare lotteries and sports lotteries at the national level. They are supported by different services providers. The following table illustrates the main segments of lottery services in the PRC:

Segment	Descriptions
Games & systems	• Games, related software and underlying supporting systems • Lottery sales and management platforms
Hardware	• Traditional betting terminals, portable terminals and self-service terminals
Distribution	• Sales and distribution of lottery products, marketing consultancy services and channel management

The following chart illustrates a general picture of the distribution of revenue among different stakeholders, as advised by the Company:



Among the revenue paid to the lottery administration centre, the following chart illustrates a general picture of the revenue available to the main segments of lottery services, as advised by the Company, and their characteristics:

Category	**Risks and rewards for the services providers**
Games & systems	• development, maintenance and operation of systems, requires significant capital investments • procedure to the launch of a new lottery product in the market usually takes 3 to 5 years, including strict scrutiny by the relevant approval authorities • the third party service provider will not receive any consideration for new lottery product, but revenue generated from new lottery product will be split on a sharing basis • development of a lottery product requires significant upfront investment costs without having certainty that such costs may be recovered, as the successful launch of a new lottery product is not guaranteed
Hardware	• margin for generic hardware only supply is low and the PRC market is currently dominated by domestic suppliers • stand-alone generic hardware products generally entail the payment of a one-off fixed consideration • hardware products bundled with a lottery system would possibly provide for a revenue-sharing model

Category	Risks and rewards for the services providers
Distribution	• offline channels – physical lottery stores – at present most of the lottery products are offered and sold through – any licensed distributor is only authorised to carry out lottery sales within the specific geographic area licensed by the Lottery Agencies • online channels – mainly comprise (i) internet sales and (ii) telephone sales (includes mobile phones through SMS, telephone call or mobile applications) – unauthorised lottery sales through internet and mobile channels have been banned by the 2015 Announcement of Eight Ministries

(b) Background of the Group

The Group is an integrated lottery technology and services company in the PRC lottery market. As at the Latest Practicable Date, the Group has a team of over 200 employees, and the footprint of the Group's lottery business covers multiple provinces and municipalities across the PRC. The Group is an associate member of each of the WLA and the APLA.

The Group's principal business activities comprise all major segments of lottery services.

(i) Games and systems: development and supply of lottery games, related software and underlying supporting systems to Lottery Sales Agencies;

(ii) Hardware: development, sales and maintenance of lottery hardware (including terminals and other lottery-related equipment);

(iii) Distribution: sales and distribution of lottery games; and

(iv) Ancillary services: provision of ancillary services to Lottery Sales Agencies.

The Group's position in the industry – strength and weakness

Games and systems

The Group is engaged by Lottery Sales Agencies as a technology supplier to supply lottery games and underlying supporting systems, and as a service provider to provide related technical services.

AGT, a joint venture of the Group (owned as to 51%) established with Ladbroke Group (one of the world's largest sports betting companies), supplies the country's only virtual sports lottery platform to the China Sports Lottery Administration Center and has successfully launched two virtual sports games in the country, namely (i) Lucky Racing ("幸運賽車", a motor racing-themed virtual game) launched in Hunan province in 2011; and (ii) e-Ball Lottery ("e球彩", a football themed game) launched in Jiangsu province during 2013. Both games are approved lottery products as defined by MOF.

Hardware

Majority of the Group's revenue (over 85% of revenue in 2015) are generated from this category. The Group's hardware division supplies to both the welfare lottery and sports lottery and has lottery hardware deployed in 29 provinces, cities and municipalities of the PRC. The Group has leading position in the lottery hardware market, in particular paper scratch card sales hardware (instant ticket verification terminals, "**IVT(s)**") and traditional lottery terminals. As disclosed in the 2014 Annual Report, Beijing AGTech GOT Technology Co., Ltd. ("**GOT**", a wholly owned subsidiary of the Company principally engaged in manufacturing and supplying of lottery and sports betting terminals) has sports lottery market share of over 40% in recent years.

During 2015, the Group was selected as an authorised IVT supplier by the China Sports Lottery Administration Centre. According to the requirements of the China Sports Lottery Administration Centre, any future addition and/or replacement of IVTs shall only be supplied by the selected IVT suppliers which have passed the admission test, and this requirement applies to all sports lottery administration centres in all provinces, autonomous regions and municipalities across the country.

Distribution

The Group operates only two offline shops for the sale and distribution of lottery games. In line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

Services

The Group has been providing ancillary services to the PRC provincial lottery authorities since early 2007. As advised by the Company, majority of such contracts were signed several years ago, when some Lottery Issuance Agencies did not have adequate resources and capability to handle the lottery operations. Such services are slow in growth due to decrease in demand from the Lottery Issuance Agencies. The expiry of certain contracts in such services resulted in the Group's transition of its core business from the lottery management business to fully integrated services with software and hardware provision.

Opportunities and threats to the Group in future

Games and systems

Since both Lucky Racing and e-Ball Lottery are approved lottery products as defined by MOF, both games could be introduced via internet and mobile channels across the country (subject to regulatory approval) where they are expected to be highly popular. As set out in the 2015 Annual Report, the Group's technical partners at the sports lottery have completed the technical preparation work of the national high frequency game platform and have satisfied the technical requirements necessary to carry Lucky Racing to other provinces beyond Hunan. Both games are expected to be well received by players in the PRC, as sports games have been the key growth area, as discussed in the sub-section headed "(a) Overview of the PRC lottery industry" above.

The Group has also launched a number of strategic initiatives to introduce new types of lottery games in the PRC, including a mobile smart phone lottery game and system, a high frequency numbers-based lottery game, and a poker lottery game. Such products are at different stages in product development and approval lifecycle. Given the Group's successful experience and track records on obtaining authorities' approvals and launching new lottery games, it is expected that the Group could satisfy the requirements for authorities' approval effectively. Once selected lottery products gain approvals for sales in certain provinces in the future, the Group will introduce them to the market.

As discussed above, procedure to the launch of a new lottery product to the market usually takes 3 to 5 years, and subject to authorities' approvals. The Group does not receive any revenue for the development of lottery games, game software, related supporting systems or lottery hardware. The R&D costs for conceiving these games, making them ready for the approval application process and, if then approved, bringing them to market and enhancing their scalability will be significant.

Hardware

Ongoing R&D activities are important to ensure that the Groups' hardware business remains up-to-date, given the rapid technology development in the modern age. However, profit margins of hardware sales are expected to continue to be under pressure, as the market is highly competitive. The gross profit margin of the Group has been decreasing from 2013 to 2015 due to, among others, this reason.

It is believed by the Group that opportunities are likely to emerge to complement existing fixed consideration lottery hardware products with more sophisticated hardware solutions. The solutions involve the supply of hardware integrated with lottery games and underlying supporting systems as bundled products where a revenue sharing model would apply and benefit to the Group. Such new hardware opportunities, same as software products, will require significant upfront development costs and, if approved, considerable on-going capital.

Distribution

As elaborated in the sub-section headed "Lottery industry regulatory overview – Potential policy change in future" above, it is believed that new approvals for lottery sales in the PRC through online and mobile channels are likely to begin soon. The Group continues to closely monitor policy development with respect to the government approval of lottery sales via internet and mobile. The Group has built a strong foundation on games and systems, and hardware, so that the Group is well prepared to capture the opportunities and impacts caused by any regulatory development.

In the internet channel, the authorities are working on a national (as opposed to provincial) internet distribution system. It is anticipated that sales of the Group's approved games, "Lucky Racing" and "e-Ball Lottery", could benefit strongly when such a system is introduced.

Threat as a result of lack of funds

As discussed in the sub-sections above, (i) the upfront costs before launching the games could be significant without guaranteed return, while the Group has numerous games in the pipeline; and (ii) the bundled supply of hardware with lottery games and underlying supporting systems will require considerable development costs. Given the continuous operating losses and decrease in cash level in recent years (the details of which to be elaborated in sub-section headed "(c) Financial information of the Group" below), such potential commitments in developing games in the pipeline and the bundled supply of hardware with lottery games and underlying supporting systems, if not been handled properly with effective funding or solutions, may lead to financial stress and/or difficulties to the Group.

(c) Financial information of the Group

Set out below are the consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2013, 2014, 2015 and for each of the three months ended 31 March 2015 and 2016, as extracted from the 2014 Annual Report, the 2015 Annual Report and the 2016 Q1 Report:

	Three months ended 31 March		**Year ended 31 December**		
	2016	**2015**	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	19,452	48,530	301,630	211,051	208,360
Cost of sales and services	(12,337)	(33,669)	(232,433)	(141,469)	(117,092)
Gross profit	7,115	14,861	69,197	69,582	91,268
Investment and other income	1,178	1,183	4,540	4,549	2,088
Selling and administrative expenses	(24,777)	(31,269)	(128,483)	(124,150)	(108,532)
Share of losses of a joint venture	–	–	(1)	(1)	–
Loss from business operations	**(16,484)**	**(15,225)**	**(54,747)**	**(50,020)**	**(15,176)**
Share-based payments	(27,059)	(22,268)	(35,192)	(136,279)	(60,072)
Net foreign exchange gain/(loss)	(2)	(9)	434	4	(106)
Amortisation of other intangible assets	–	(119)	(454)	(478)	(479)
Gain on fair value of investment property	–	–	1,202	–	–
Gain/(loss) from changes in fair value of contingent consideration payables	30,449	–	(191,402)	–	–
Finance costs	(373)	–	(195)	–	(517)
Loss before tax	**(13,469)**	**(37,621)**	**(280,354)**	**(186,773)**	**(76,350)**
Income tax expense	(938)	(365)	(3,064)	(599)	(7,631)
Loss for the period/year	**(14,407)**	**(37,986)**	**(283,418)**	**(187,372)**	**(83,981)**
Loss attributable to:					
Owners of the Company	(13,810)	(37,272)	(280,222)	(189,184)	(82,940)
Non-controlling interests	(597)	(714)	(3,196)	1,812	(1,041)
Loss for the period/year	**(14,407)**	**(37,986)**	**(283,418)**	**(187,372)**	**(83,981)**

(i) 2015 compared to 2014

Revenue of the Group for 2015 amounted to approximately HK$301.6 million (2014: approximately HK$211.1 million), representing an increase of approximately 42.9% over 2014. The increase in revenue for 2015 was mainly due to the sales of newly added hardware and technical services.

During 2015, the gross profit margin decreased to approximately 22.9% (2014: approximately 33.0%). The decrease in gross profit margin was mainly due to competition in the lottery hardware market.

Loss attributable to owners of the Company for 2015 increased to approximately HK$280.2 million (2014: approximately HK$189.2 million), primarily due to (i) a loss from change in fair value of contingent consideration payables in relation to the Score Value Transaction amounting to approximately HK$191.4 million mainly as a result of the substantial increase in the closing price per Share as quoted on the Stock Exchange from HK$0.9 as at the date of completion of such acquisition on 8 January 2015 to HK$2.02 as at 31 December 2015, causing the aforesaid fair value to increase from HK$198.9 million as at 8 January 2015 to HK$390.3 million as at 31 December 2015; and (ii) increase in selling and administrative expenses (mainly including staff costs, office costs and the R&D costs) in line with the organic growth of the Group's business and as a result of the consolidation of the expenses of Score Value Limited following completion of its acquisition on 8 January 2015. Such increase in loss was offset by a decrease in the share-based payments to approximately HK$35.2 million (2014: approximately HK$136.3 million) as a result of lapse of share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme during 2015.

(ii) 2014 compared to 2013

Revenue of the Group for 2014 amounted to approximately HK$211.1 million (2013: approximately HK$208.4 million), representing a slight increase of approximately 1.3% over 2013. During 2014, the gross profit margin stood at approximately 33.0% (2013: approximately 43.8%). The decrease in gross profit margin was mainly attributable to (i) change in business mix (being drop in revenue from the Group's higher-margin lottery management business due to the expiry of certain contracts in this business line); (ii) the fact that the gross profit margin for GOT in 2014 was lower than those in 2013 as a result of the increasingly competitive lottery terminal supply market in the PRC; and (iii) increase in cost of sales and services of approximately HK$4.9 million due to the establishment of a data centre for rolling out the e-Ball Lottery game.

Loss attributable to owners of the Company for 2014 increased to approximately HK$189.2 million (2013: approximately HK$82.9 million), primarily due to a rise in the share-based payments to approximately HK$136.3 million (2013: approximately HK$60.1 million) as a result of an increase in granting of share options of the Company to Directors, eligible employees and other eligible participants under the Share Option Scheme during 2014. In addition, there were increases in selling and administrative expenses, including (i) a rise in office costs to approximately HK$19.0 million (2013: approximately HK$10.2 million) as a result of the relocation of the Group's Beijing office in the PRC during 2014; and (ii) an increase in legal, professional and consultancy fees to approximately HK$18.2 million (2013: approximately HK$10.2 million) as a result of an increase in project/acquisition-related professional services.

(iii) 2016 Q1 vs 2015 Q1

Revenue of the Group decreased by approximately 59.9% from approximately HK$48.5 million for the three months ended 31 March 2015 ("**2015 Q1**") to approximately HK$19.5 million for the three months ended 31 March 2016 ("**2016 Q1**"). Such decrease was mainly due to less delivery made by the hardware division of the Group in 2016 Q1 as compared with 2015 Q1, in particular, the delivery of IVT by one of the subsidiaries of the Company in Shenzhen. Gross margin of the Group remained stable in 2016 Q1 with a slight increase from approximately 30.6% in 2015 Q1 to approximately 36.6% in 2016 Q1 mainly attributable to (i) the decrease of the revenue from the sales of terminals which has a lower gross profit margin than those of other business segments; and (ii) the changes in gross profit margins in different products; but such changes were partially offset by certain repairing and maintenance costs incurred relating to the hardware products sold in 2015.

The Group's share-based payments increased by approximately 21.5% from approximately HK$22.3 million to HK$27.1 million mainly due to (i) increase of amortisation amount in 2016 Q1 as a result of further granting of share options since 2015 Q1; and (ii) relatively high fair value of share options granted since 2015 Q1. The gain from changes in fair value of contingent consideration payables was as a result of the decrease in the Share price in 2016 Q1.

The Group's loss after tax decreased by approximately 62.1% from approximately HK$38.0 million in 2015 Q1 to approximately HK$14.4 million in 2016 Q1. Such decrease was mainly attributable to (i) gain from changes in fair value of contingent consideration payables; (ii) improvement of the gross profit margin; and (iii) decrease of the selling and administrative expenses associated with the decrease of sales; but such decrease in loss was partially offset by the increase of the share based payments.

(d) Financial position of the Group

Set out below are the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 as extracted from the 2014 Annual Report and the 2015 Annual Report:

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11,814	15,182	53,079
Investment properties	52,536	54,343	–
Goodwill	1,119,289	793,618	796,946
Other intangible assets	1,742	2,219	2,700
Investment in a joint venture	645	646	647
Available-for-sale investment	–	–	–
Deposits and prepayments	10,204	20,746	28,892
Other assets	9,195	8,022	6,392
	1,205,425	894,776	888,656
CURRENT ASSETS			
Inventories	56,306	25,291	46,532
Trade receivables	29,597	31,071	37,289
Other receivables, deposits and prepayments	75,892	68,810	55,384
Amount due from a joint venture	11	8	6
Fixed deposit held at bank with original maturity over three months	–	37,914	–
Pledged bank deposit	15,042	2,976	–
Bank balances and cash	231,647	274,710	286,531
	408,495	440,780	425,742

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
CURRENT LIABILITIES			
Trade payables	36,664	26,082	9,783
Accruals and other payables	47,950	39,283	31,219
Amount due to a joint venture	650	650	650
Secured bank borrowings	21,982	–	–
Contingent consideration payables	63,503	–	–
Current tax liabilities	2,264	414	2,473
	173,013	66,429	44,125
NET CURRENT ASSETS	**235,482**	**374,351**	**381,617**
NON-CURRENT LIABILITIES			
PROVISION FOR WARRANTIES	50,002	41,514	30,495
DEFERRED TAX LIABILITIES	5,576	5,706	4,399
CONTINGENT CONSIDERATION PAYABLE	326,806	–	–
	382,384	47,220	34,894
NET ASSETS	**1,058,523**	**1,221,908**	**1,235,379**
CAPITAL AND RESERVES			
SHARE CAPITAL	9,213	8,880	8,698
RESERVES	1,049,992	1,209,960	1,225,390
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS	**1,059,205**	**1,218,840**	**1,234,088**
NON-CONTROLLING INTERESTS	(682)	3,067	1,291
TOTAL EQUITY	**1,058,523**	**1,221,907**	**1,235,379**
NET ASSET VALUE ATTRIBUTABLE TO THE SHAREHOLDERS ("NAV") PER SHARE	**HK$0.23**	**HK$0.27**	**HK$0.28**

Non-current assets of the Group mainly comprised goodwill arising from an acquisition of a business, which is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. There was no impairment made for goodwill of the Group from 2013 to 2015. The goodwill was made up of goodwill arising from different acquisitions from 2006 to 2015, approximately 62.0% was related to the acquisition of Shining China Inc in 2007 and approximately 33.0% was related to the acquisition of Score Value Limited in 2015. Current assets of the Group mainly comprised bank balances and cash.

As at 31 December 2015, NAV per Share was approximately HK$0.23, calculated by dividing the net asset value of the Group attributable to the Shareholders of approximately HK$1,059.2 million by the number of Shares in issue as at 31 December 2015. The NAV per Share has maintained at similar level as at 31 December 2013 and 2014, ranging from approximately HK$0.27 to HK$0.28. The decrease in NAV per Share as at 31 December 2015 as compared to that of 31 December 2014 was mainly due to the loss incurred during the year.

The Group was at net cash position as at 31 December 2013, 2014 and 2015. The Group did not have any bank borrowings as at 31 December 2013 and 2014. Secured bank borrowings of approximately HK$22.0 million were recorded as at 31 December 2015.

(e) Cash flow

Set out below are the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2015 as extracted from the 2015 Annual Report and the 2014 Annual Report:

	For the year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Net cash inflows/(outflows) generated from/(used in):			
– Operating activities	(74,886)	7,357	(15,309)
– Investing activities	(29,047)	(45,689)	13,817
– Financing activities	80,613	27,864	142,036
Net (decrease)/increase in cash and cash equivalents	(23,320)	(10,468)	140,544
Cash and cash equivalents at the beginning of the year	274,710	286,531	137,666
Effect of foreign exchange rate changes	(19,743)	(1,353)	8,321
Cash and cash equivalents at the end of the year	231,647	274,710	286,531

The Group recorded a net decrease in cash and cash equivalents for each of the two years ended 31 December 2014 and 2015. For the year ended 31 December 2014, the decrease was mainly due to the loss from operations, partially offset by the proceeds from exercise of share options. For the year ended 31 December 2015, the decrease was mainly because of the loss from operations and payments made for acquisition of Score Value Limited.

(f) Background of the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands and indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Financial. The principal activity of the Subscriber is investment holding.

Alibaba Holding

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. It is the largest online and mobile commerce company in the world in terms of gross merchandise volume. Founded in 1999, Alibaba Holding provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses. Major businesses of Alibaba Holding include Taobao Marketplace, Tmall.com, Juhuasuan, Alitrip, AliExpress, Alibaba.com, 1688.com and AliCloud.com. Further details of major businesses of Alibaba Holding are set out in the Letter from the Board.

As disclosed in the 2015 annual report of Alibaba Holding: (i) there were 350 million active buyers for the year ended 31 March 2015 on its PRC retail marketplaces (including Taobao, Tmall and Juhausuan); and (ii) Taobao Marketplace was the PRC's largest online shopping destination in terms of gross merchandise volume in 2014 according to iResearch. These facts led Alibaba Holding to its position as the largest online and mobile commerce company in the world in terms of gross merchandise volume in 2014.

Ant Financial Group

Ant Financial Group is dedicated to focus on serving small and micro enterprises as well as consumers. With vision "to turn trust into wealth", Ant Financial Group is also dedicated to building an open ecosystem of Internet thinking and technologies while working with other financial institutions to support future needs of society. Businesses operated by Ant Financial Group include Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Zhima Credit.

According to its website, Alipay was designed to provide an escrow service, in which online consumers can confirm acceptance and verify their satisfaction of the goods, before releasing money to the online sellers. Alipay later on developed electronic wallet, wealth management and other ancillary services. Alipay had over 400 million active verified users by the end of June 2015 and, since 2004, Alipay has worked closely with over 200 financial partners to provide payment services for tens of millions of small and micro enterprises.

(g) Reasons for the Subscription

The Directors are of the view that the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group, the largest online and mobile commerce company in the world in terms of gross merchandise volume, and Ant Financial Group, which operates businesses such as Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Zhima Credit.

Business Cooperation Framework Agreement

The Business Cooperation Framework Agreement will be entered into between Taobao Software, Alipay and the Company at Completion. The key principles of the Business Cooperation Framework Agreement will cover, among others, the followings:

– The Group shall be the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licences for the operations of lottery businesses. The Group shall operate and manage all lottery software and hardware products of Alibaba Group and Ant Financial Group, other than lottery related payment software and systems developed or owned by Ant Financial Group.

– The Group shall be authorised by Taobao Software and Alipay to operate lottery channels on their platforms. So long as it is allowed under applicable laws and regulations, all lottery products that the Group has developed or is authorised to operate, shall be released on the Taobao and Alipay platforms, but not through any competing online channels. Notwithstanding the above, the Group may release such lottery products through its own platforms or Lottery Agencies serviced by the Group.

Given the current PRC lottery regulatory environment, it is expected that the Business Cooperation Framework Agreement will have a substantial impact to the Group's business should the online sales and distribution channels re-open:

Online lottery sales

As elaborated in the sub-section headed "(a) Overview of the PRC lottery industry – Lottery industry regulatory overview – Potential policy change in future" above, it is believed that new approvals for lottery sales in the PRC through online and mobile channels are likely to begin soon, with new and clearer regulations to follow. It is expected that licence would be required for lottery online distribution, similar to the existing licensing system for the sale and distribution of lottery games through offline channels.

Although the Group has not conducted any internet lottery sales or maintained any website to conduct such sales in the past, Taobao had the largest share of 19.2% in the PRC's online lottery market in third quarter of 2014 (i.e. before the enactment of the 2015 Announcement of Eight Ministries), according to Analysys International, a leading data analysis service provider in the PRC.

Under the Business Cooperation Framework Agreement, the Group shall be the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licences for the operations of lottery businesses. It is expected that the Group would have a high chance to secure a licence for lottery online distribution given (i) the Group's licence record as an offline lottery distributor; (ii) the Group's track record and capability as a service provider of the authorities in games, systems and hardware; and (iii) the solid background, technical support and internet traffic of Alibaba Group and Ant Financial Group.

Once the new regime for lottery sales in the PRC through online and mobile channels is launched, which is expected to be soon, the massive gross merchandise volume and strong internet traffic of Taobao and Alipay will lead to substantial number of online lottery sales. As the Group will become the sole platform of Alibaba Group and Ant Financial Group for lottery businesses, revenue generated could be huge to the Group as online distribution is considered to be an effective channel for sales of lottery products with higher margin.

At the same time, the authorities are working on a national (as opposed to provincial) internet distribution system. It is anticipated that sales of the Group's approved games, Lucky Racing and e-Ball Lottery, could benefit strongly when such a system is introduced.

Mobile lottery games

As discussed in the sub-section headed "(b) Background of the Group – Opportunities and threats to the Group in future" above, the Group has launched a number of strategic initiatives to introduce new types of lottery games in the PRC. When selected lottery products obtain approvals for sales in certain provinces in the future, the Group will introduce them to the market for revenue generation.

In particular, the Group plans to introduce a mobile smart phone lottery game. The PRC's lottery market has started to activate the trial sale of new types of mobile phone lottery games in various provinces. It is widely expected that selected mobile phone lottery games will gain approvals for launch in certain provinces in future.

Therefore, the Business Cooperation Framework Agreement will help to launch the mobile lottery games developed by the Group to gain access to substantial number of users by way of trusted channels on Taobao platform and Alipay platform, both are valuable marketing and promotion platforms which might otherwise be unavailable and/or prohibitively expensive.

Financial assistance

Through the Subscription, the Company will raise a substantial amount of additional funds. In particular, as discussed in the sub-section headed "(b) Background of the Group – Opportunities and threats to the Group in future" above, (i) the upfront costs before launching the games could be significant without guaranteed return, while the Group has quite a number of games in the pipeline; and (ii) the bundled supply of hardware with lottery games and underlying supporting systems will also require considerable development costs. The proceeds of the Subscription will facilitate the development of the Group, including but not limited to the above-mentioned areas.

Also, the Group has been experiencing continuous operating losses and decrease in cash level in recent years. The proceeds of the Subscription will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective acquisition opportunities as and when they arise.

Technical support

In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce. The

Company expects that this will enable the Group to develop and expand its existing lottery businesses and, in particular, the mobile and internet channels where the Group sees significant synergy potential.

In view of the above, we concur with the Directors that the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor.

THE SUBSCRIPTION AND THE WHITEWASH WAIVER

1. Principal terms of the Subscription Agreement

Set out below is a summary of principal terms of the Subscription Agreement. Further details of terms of the Subscription Agreement are set out in the Letter from the Board.

(a) The Subscription Agreement

Date:	4 March 2016
Issuer:	the Company
Subscriber:	Ali Fortune Investment Holding Limited
Other parties:	Mr. Sun
	Maxprofit

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for,

(i) an aggregate of 4,817,399,245 Subscription Shares at the Subscription Price of HK$0.3478 per Subscription Share; and

(ii) Convertible Bonds in the aggregate principal amount of HK$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the Initial Conversion Price of HK$0.3478 per Conversion Share.

(b) The Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price

The Subscription Price and the Initial Conversion Price is HK$0.3478 per Subscription Share and per Conversion Share. The Subscription Price and the Initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, after taking into account several quantitative and qualitative factors as set out in the section headed "The Subscription" in the Letter from the Board.

Pursuant to the Subscription Agreement, the Subscription Price and the Initial Conversion Price should also be evaluated, taken into account that the Convertible Bonds are considered to be a deferred consideration, by dividing the gross proceeds of the

Subscription of HK$2,388 million by the maximum number of Shares will be issued i.e. 8,145,620,972 Shares, giving effect of Conversion Price Adjustment (as defined below) on a Fully-diluted Basis i.e. approximately HK$0.293 per Share ("**Fully-diluted Subscription Price**").

(c) The size of the Subscription

As at the Latest Practicable Date, there were 4,911,414,987 Shares in issue (including (i) issue of 212,879,224 Shares pursuant to exercise of the Rainwood Options in full as stated in the Company's announcement dated 16 March 2016; (ii) issue of 2,550,000 Shares pursuant to exercise of the Consultant Options in part, as stated in the Company's announcement dated 23 March 2016; and (iii) issue of 10,135,135 Shares pursuant to the Score Value Transaction as stated in the Company's announcement dated 10 May 2016). The Subscription Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement represent approximately 98.09% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company.

Assuming that the Convertible Bonds are converted in full, the Subscription Shares and the Conversion Shares represent approximately 146.23% of the issued share capital of the Company as at the Latest Practicable Date and approximately 59.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares.

Furthermore, on or before Completion, if and whenever the Company issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Consultant Options, the Conversion Price shall be further adjusted in the manner set out in the sub-section headed "Principal terms of the Convertible Bonds – Conversion Price Adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options" in the Letter from the Board, and such adjusted Conversion Price (the "**Adjusted Conversion Price**") shall become the Conversion Price of the Convertible Bonds upon its issuance at Completion.

During the period commencing from the date of the Subscription Agreement up to the Latest Practicable Date, 212,879,224 Shares, 2,550,000 Shares and 10,135,135 Shares have been issued pursuant to exercise of the Rainwood Options in full, exercise of the Consultant Options in part and the Score Value Transaction respectively. For further details, please refer to the respective announcements of the Company dated 16 March 2016, 23 March 2016 and 10 May 2016. Following such issue of Shares, the Conversion Price of the Convertible Bonds has been adjusted from HK$0.3478 per Share to HK$0.3013 per Share, and the maximum number of Shares that will be issued upon full conversion of the Convertible Bonds at the Adjusted Conversion Price is 2,364,665,518, with no change in the principal amount of the Convertible Bonds. Such adjustment clause will be further analysed in the sub-section headed "8. Terms of the Convertible Bonds – (iv) Conversion price adjustment clause" below.

As at the Latest Practicable Date, there is no further adjustment on the Adjusted Conversion Price save for the above.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

(d) Conditions of the Subscription

The Subscription is conditional upon the satisfaction (or waiver) of the conditions precedent (the "**Conditions Precedent**") as set out in the section headed "Conditions of the Subscription" in the Letter from the Board, including but not limited to, the followings:

(a) all necessary approvals for the Subscription required under the Bye-Laws, applicable laws, the GEM Listing Rules and the Takeovers Code having been obtained, including

(i) the passing by the requisite majority of the Shareholders or the Independent Shareholders (as appropriate) at the SGM of all resolutions required under relevant laws, including pursuant to the GEM Listing Rules and the Takeovers Code, in respect of, among other things, the specific mandate for the allotment and issue of the Subscription Shares and the Conversion Shares and the Whitewash Waiver;

(ii) the granting of the approval for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares by the Listing Committee of the GEM of the Stock Exchange;

(iii) the Executive granting the Whitewash Waiver to the Subscriber and parties acting in concert with the Subscriber and the satisfaction of any condition attached to the Whitewash Waiver being granted and not having been revoked or withdrawn; and

(iv) the Shareholders approving the Authorised Share Capital Increase at the SGM; and

(b) the Company having maintained all the licences, permits, consents, approvals or authorisations necessary for the current businesses of the Group from the relevant authorities.

The Condition Precedents set out in paragraph (a) above cannot be waived by any party to the Subscription Agreement.

As at the Latest Practicable Date, none of the Conditions Precedent has been satisfied (or waived), further details of which are set out in the section headed "Conditions of the Subscription" in the Letter from the Board.

If any of the Conditions Precedents have not been satisfied (or waived) on or prior to 4 September 2016, the Subscription Agreement (other than certain surviving provisions) shall automatically terminate and (without prejudice to the rights and/or obligations of any party in respect of any preceding breach) the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

2. Use of proceeds and future business plan

Use of proceeds

As set out in the section headed "Use of proceeds" in the Letter from the Board, the gross proceeds from the Subscription would amount to approximately HK$2,388 million and the net proceeds would be approximately HK$2,380 million.

The net proceeds from the Subscription will be used to fund the existing operations and future development of the Company's existing principal businesses. In particular, the proceeds of the Subscription are intended to be allocated for each of the business segments and for general corporate purposes summarised as follows:

(a) Games and systems: approximately HK$1,200 million (i.e. approximately 50.42%) of the proceeds are intended to be used to fund the expansion of the Group's existing business in relation to the development of lottery games, related software and underlying supporting systems. In particular, proceeds are intended to be allocated towards:

i. capital investment in on-going development of new lottery games to be introduced to the market in near future pending regulatory approval;

ii. research and development of new lottery products of the Group;

iii. expansion and development of the Group's R&D capability in technology development for games and systems;

iv. acquisition of lottery systems and lottery games or companies which have such systems and games;

v. funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets;

(b) Hardware: approximately HK$120 million (i.e. approximately 5.04%) of the proceeds are intended to be used to fund R&D activities to upgrade the Group's hardware with more sophisticated technology to keep up with the latest technology development;

(c) Distribution: approximately HK$850 million (i.e. approximately 35.71%) of the proceeds are intended to be used to fund the expansion of the Group's offline sales and distribution network and the construction of the Group's online sales and distribution network as follows:

i. expansion of offline sales and distribution business;

ii. marketing and advertising campaigns for its existing offline lottery games;

iii. acquisitions of online and offline distributors;

iv. online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay); and

(d) General corporate purposes: approximately HK$210 million (i.e. approximately 8.82%) of the proceeds are intended to be used to repay existing debts of the Group and as general working capital of the Group.

The Group expects to deploy proceeds from the Subscription in stages over a period of two to three years according to the proportion set out above. Set out below is the Group's plan to utilise approximately HK$1,330 million (representing approximately 55.88% of the aggregate net proceeds from the Subscription) in the next 12 months from the date of Completion.

Item		**Amount** *HK$'million*
(a)	Games and systems: Expansion of the Group's existing business relation to the development of lottery games, related software and underlying supporting systems	
	i. capital investment in on-going development of new lottery games to be introduced to the market in near future pending regulatory approval	100
	ii. research and development of new lottery products of the Group	100
	iii. expansion and development of the Group's R&D capability in technology development for games and systems	50
	iv. acquisition of lottery systems and lottery games or companies which have such systems and games	500
	v. funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets	50
		800

Item			**Amount**
			HK$'million
(b)	Hardware: R&D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to Lottery Agencies based on a revenue-sharing model		80
(c)	Distribution: Expansion/construction of the Group's sales and distribution offline/online network by:		
	i.	expansion of offline sales and distribution business	50
	ii.	marketing and advertising campaigns for its existing offline lottery games	50
	iii.	acquisitions of online and offline distributors	150
	iv.	online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay)	100
			350
(d)	General corporate purposes:		
	i.	repayment of existing debts of the Group	60
	ii.	general working capital of the Group	40
			100
Total			**1,330**

Business Cooperation Framework Agreement

In regards to the future business plan, at Completion, Taobao Software (a subsidiary of Alibaba Holding), Alipay (a wholly-owned subsidiary of Ant Financial) and the Company, will enter into the Business Cooperation Framework Agreement pursuant to which the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business, based on, and subject to, certain key principles, including but not limited to,

(i) the Group shall be the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licenses for the operations of lottery businesses;

(ii) the Group shall operate and manage all lottery software and hardware products of Alibaba Group and Ant Financial Group, other than lottery related payment software and systems developed or owned by Ant Financial Group;

(iii) the Group shall be authorised by Taobao Software to operate a lottery channel on the Taobao platform, but Taobao Software has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel; and

(iv) the Group shall be authorised by Alipay to operate a lottery channel on the Alipay platform, but Alipay has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel.

The Group will cease to be the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business if the Shares (or voting rights) held by any individual or entity and their Affiliates (including parties acting in concert with any of them) are more than those held by Alibaba Group and Ant Financial Group (including parties acting in concert with any of them). In addition, the Group will cease to be the exclusive business platform of Ant Financial Group for the lottery business if Ant Financial Group ceases to, directly or indirectly, hold any Shares.

Following Completion, the Subscriber will become the controlling shareholder of the Company. Accordingly, Taobao Software, Alipay and their respective subsidiaries will become connected persons of the Company, and the transactions between Taobao Software, Alipay and/or their respective subsidiaries (on the one hand) and the Group (on the other hand) will, subject to entering into definitive agreements setting out the scope of services, fee arrangements and other detailed terms and conditions, constitute continuing connected transactions of the Company. The Company will comply with applicable requirements in accordance with Chapter 20 of the GEM Listing Rules as and when required.

3. Future intentions of the Subscriber regarding the Group

The Subscriber intends to continue and promote the development of the existing business of the Group leveraging on the experience, expertise and resources of the Subscriber and its Affiliates, including, in particular, Alibaba Group’s experience and service offerings in the areas of e-commerce platforms, cloud computing and data processing. Accordingly, the Subscriber has no immediate plan to substantially change the senior management team of the Company. Mr. Sun would remain as the chief executive officer while each of Mr. Bai, Mr. Liang and Mr. Cheng would resign from his directorship of the Company but would maintain as the members of the senior management of the Company. Under the Business Cooperation Framework Agreement to be entered into at Completion, it is further intended that the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for their respective lottery businesses. In addition, should the online sales and distribution channels for lottery games re-open, the Subscriber expects that its proposed investment in the Company and its proposed cooperation with the Company as contemplated under the Business Cooperation Framework Agreement will provide synergy to the Group’s online lottery business, and potentially expand the client-base of both Alibaba Group and Ant Financial Group on the one hand and the Group on the other hand. The Subscriber currently does not have the intention to implement any major downsizing measures in respect of the Group’s business or to introduce any other major changes in the business of the Group, including any redeployment of the fixed assets of the Group. In particular, the currently contemplated Business Cooperation Framework Agreement does not provide for the injection of any of the technologies, assets or businesses owned by the Subscriber, Alibaba Group and/or Ant Financial Group into the Group nor any collaboration for the co-development of any new technology. Notwithstanding the foregoing, the Company will continue to assess its business needs and may, subject to compliance with the applicable laws and regulations (including, in particular, any shareholders’ approval, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules), enter into arrangements with the Subscriber and/or its Affiliates in respect of the co-development of new technology in the future if such arrangements are in the interest of the Company and the Shareholders as a whole.

4. Evaluation of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price

(a) Comparison of the Subscription Price and the Initial Conversion Price to market price

The Subscription Price and the Initial Conversion Price, each being HK$0.3478, represents:

(i) a discount of approximately 82.5% to the closing price of HK$1.990 per Share on the Last Trading Day;

(ii) a discount of approximately 82.1% to the average of the closing prices per Share of approximately HK$1.938 for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 81.9% to the average of the closing prices of approximately HK$1.926 per Share for the last ten trading days up to and including the Last Trading Day;

(iv) a premium of approximately 51.2% over the NAV per Share of the Company of HK$0.23 as at 31 December 2015 based on the NAV of the Group attributable to the Shareholders and the number of Shares in issue as at 31 December 2015; and

(v) a discount of approximately 79.7% to the closing price of HK$1.71 per Share on the Latest Practicable Date.

The Fully-diluted Subscription Price, being approximately HK$0.293 per Share, represents:

(i) a discount of approximately 85.3% to the closing price of HK$1.990 per Share on the Last Trading Day;

(ii) a discount of approximately 84.9% to the average of the closing prices per Share of approximately HK$1.938 for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 84.8% to the average of the closing prices of approximately HK$1.926 per Share for the last ten trading days up to and including the Last Trading Day;

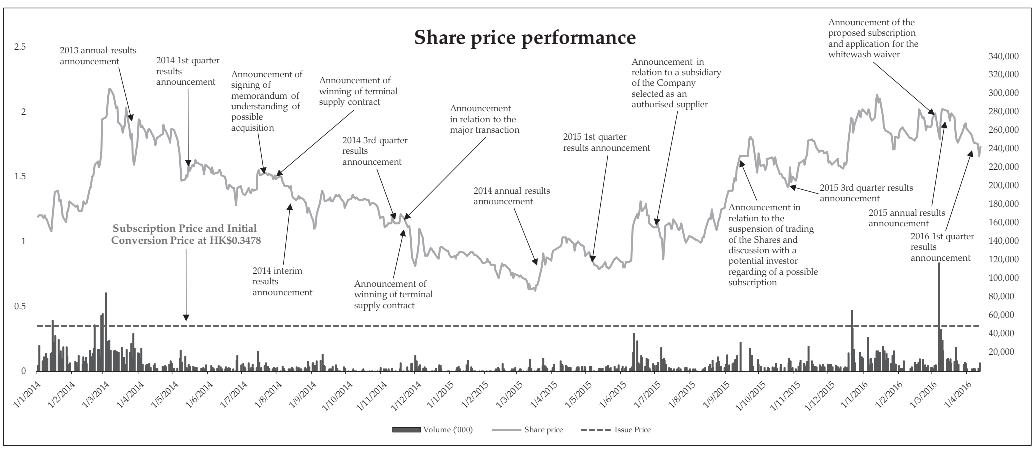
(iv) a premium of approximately 27.4% over the NAV per Share of the Company of HK$0.23 as at 31 December 2015 based on the NAV of the Group attributable to the Shareholders and the number of Shares in issue as at 31 December 2015; and

(v) a discount of approximately 82.9% to the closing price of HK$1.71 per Share on the Latest Practicable Date.

The discounts of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price to market price as demonstrated above, are, in our view, substantial but within the range of discounts for comparable issues as set out in the sub-section headed "5. Comparable issues" below.

(b) Analysis of historical Share price performance

The chart below illustrates the daily closing price per Share for the period from 1 January 2014 up to and including the Latest Practicable Date (the "**Review Period**").



During the Review Period, the closing Share price fluctuated between HK$0.62 per Share and HK$2.18 per Share.

The Share price demonstrated an upward trend in the first two months of 2014 and achieved a maximum price of HK$2.18 per Share on 6 March 2014, possibly due to a series of events announced in late 2013 demonstrating a positive development of the Group, including (i) the Company being added as a constituent stock of the MSCI China Small Cap Index effectively as of market close of 26 November 2013; and (ii) the successful launch a virtual sports lottery game by the Group as announced on 18 November 2013 and 23 November 2013, respectively. The Company released its 2013 annual results on 24 March 2014 with loss during 2013 recorded, the Share price fell to HK$1.79 per Share on the next trading day after the publication of 2013 annual results. The 2014 first quarterly results announcement was published on 9 May 2014, showing an increased loss during the period as compared to the corresponding period in 2013. The Share price maintained at HK$1.48 per Share on the next day.

On 15 July 2014 (after trading hours), the Company has signed a memorandum of understanding in relation to a possible acquisition of a target group engaging in the provision of lottery equipment and maintenance services, and design of lottery games and system development in the PRC. The Company further announced on 24 July 2014 the winning of a tender in supplying the latest sports lottery terminals to a sports lottery administration centre. The Share price fluctuated between HK$1.48 and HK$1.55 in July subsequent to the release of the abovementioned announcements.

The 2014 interim results announcement of the Company was published on 13 August 2014, demonstrating a deteriorating financial performance of the Group for the six months ended 30 June 2014 as compared to the corresponding period in 2013. The Share price experienced a downward trend subsequently, reached a minimum of HK$1.10 per Share on 3 September 2014.

In November 2014, a number of announcements were made by the Company, including (i) the 2014 third quarterly results on 12 November 2014 with an increasing amount of loss incurred; (ii) the Score Value Transaction on 17 November 2014; and (iii) the winning of terminal supply contracts in Henan, Jiangsu and Yunnan provinces on 19 November 2014. The Share price fell from HK$1.16 to HK$1.14 after the release of 2014 third quarterly results. With the potential benefits of the Score Value Transaction as disclosed in the announcement dated 17 November 2014, the Share price went up from HK$1.14 on 17 November 2014 to HK$1.21 on 18 November 2014. Despite the winning of terminal supply contracts, the Share price exhibited a downward trend after 19 November 2014 with a minimum of HK$0.81 per Share on 1 December 2014. The Share price closed at HK$0.90 on 31 December 2014.

On 23 March 2015, the 2014 annual results announcement was released. Despite being loss-making during the year 2014, there was an upward trend in the Share price, reached HK$1.03 per Share on 10 and 13 April 2015. Such increase might possibly be due to positive market environment as a result of the increment in the Hang Seng Index of approximately 12% during April 2015. The Company continued making losses as disclosed in the 2015 first quarterly results announcement dated 11 May 2015, the Share price fell slightly from HK$0.81 to HK$0.79 on the next trading day. It was announced by the Company that it was selected as an authorised supplier of instant verification terminals on 2 July 2015. The Share price went up to HK$1.15 on the next day of the announcement.

There was a rising trend in the Share price since mid-August 2015. When the Share price reached HK$1.66 on 14 September 2015, trading in the Shares was suspended with effect from 3:30 p.m. on 14 September 2015. On 21 September 2015, the Company announced that it was in preliminary discussions regarding a possible subscription by an independent third party. Trading in the Shares resumed on 22 September 2015, the Share price further increased to the highest level of HK$1.81 on 23 September 2015. On 10 November 2015, the Company released its 2015 third quarterly results announcement. The Group continued to be loss-making during the period, however, the Share price increased from HK$1.59 to HK$1.65 on the next day. The Share price went up towards the end of 2015 and closed at HK$2.02 per Share. Such increase was likely due to market speculation on likelihood of success of possible subscription.

Subsequent to the publication of the Announcement on 6 March 2016, the Share price fluctuated in a range of HK$1.79 to HK$2.20 until the publication of the 2015 annual results of the Company on 20 March 2016 (the "**2015 Annual Results Announcement**"), with an average Share price of approximately HK$1.95, representing a slight decrease of approximately 2.0% to the closing price of HK$1.99 on the Last Trading Day.

After the release of the 2015 Annual Results Announcement, the Share price exhibited a downward trend with the Share price reached a year low in 2016 of HK$1.66 per Share on 12 April 2016. The downward trend demonstrated may be attributable to the loss of the Company for the year ended 31 December 2015, representing the biggest losses in the past five years as disclosed in the 2015 Annual Report.

On 12 May 2016, the 2016 first quarterly results for the three months ended 31 March 2016 of the Group was published, the closing price of the Share decreased from HK$1.78 to HK$1.71 on 13 May 2016.

The Subscription Price represented a discount of approximately 79.7% to the closing price of the Shares of HK$1.71 as at the Latest Practicable Date.

(c) Trading volume of the Shares

Set out in the table below are the monthly trading volumes of the Shares and the percentages of such monthly trading volumes to the issued share capital and the public float of the Company during the Review Period:

	Total monthly trading volume of the Shares *(Note 1)*	**Total percentage of the monthly trading volume of the Shares to the issued share capital of the Company** *(Note 2)*	**Total percentage of the monthly trading volume of the Shares to the public float** *(Note 2 and Note 3)*
2014			
January	435,281,815	10.0%	18.7%
February	412,433,809	9.4%	17.6%
March	542,709,636	12.4%	23.1%
April	164,859,790	3.8%	7.0%
May	122,637,763	2.8%	5.2%
June	87,501,610	2.0%	3.7%
July	116,715,695	2.7%	4.9%
August	68,019,000	1.5%	2.9%
September	116,739,530	2.6%	4.9%
October	24,929,225	0.6%	1.0%
November	55,299,695	1.2%	2.3%
December	80,772,000	1.8%	3.4%

	Total monthly trading volume of the Shares	Total percentage of the monthly trading volume of the Shares to the issued share capital of the Company	Total percentage of the monthly trading volume of the Shares to the public float
	(Note 1)	*(Note 2)*	*(Note 2 and Note 3)*
2015			
January	54,861,826	1.2%	2.2%
February	37,430,000	0.8%	1.5%
March	73,690,351	1.6%	3.0%
April	87,922,528	2.0%	3.6%
May	65,180,556	1.4%	2.6%
June	217,233,570	4.8%	8.7%
July	118,457,260	2.6%	4.8%
August	96,989,000	2.1%	3.9%
September	194,401,890	4.3%	7.7%
October	98,031,365	2.1%	3.9%
November	151,708,468	3.3%	6.0%
December	275,608,037	6.0%	10.7%
2016			
January	326,398,605	7.0%	12.3%
February	116,189,264	2.5%	4.4%
March	393,797,369	8.4%	14.9%
April	94,945,500	1.9%	3.3%
May (Up to the Latest Practicable Date)	38,068,220	0.8%	1.3%

Notes:

1. Source: Bloomberg

2. The calculation is based on the total monthly trading volume of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date.

3. The total number of the Shares in public float is calculated based on the number of total issued Shares excluding those held by Mr. Sun and Maxprofit.

As illustrated in the table above, during the period from 1 January 2014 to the Latest Practicable Date, the monthly trading volume of the Shares ranged between approximately 24.9 million and 542.7 million, representing approximately 0.6% to 12.4% of the total issued share capital of the Company and approximately 1.0% to 23.1% of the public float. The trading volume of the Shares was highly fluctuated. The trading of the Shares was relatively thin, being less than 10.0% of the total issued share capital of the Company and less than 20.0% of the public float, during most of the time in the Review Period. The relatively low liquidity of the Shares would generally hinder investors from buying and/or selling Shares at desired prices, and further imply that the Share price may not be indicative of the underlying value of the Company.

During the period after the Announcement, the closing prices of the Shares exhibited a downward trend and reached the bottom of HK$1.66 on 12 April 2016. The Share price closed at HK$1.71 as at the Latest Practicable Date.

5. Comparable issues

In considering whether the discounts of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are acceptable, we have considered whitewash waiver applications as a result of issue of consideration shares or subscription of new shares (to be listed on the Stock Exchange) announced during the period from 1 July 2015 to the date immediately prior to the Latest Practicable Date (the "**Comparable Issues**") by companies listed on the Stock Exchange involving (a) subscription of new shares of listed companies by subscribers with cash (where the shares were to be listed on the Stock Exchange) and the application of whitewash waivers by the subscribers; and (b) issue of new shares involving a change in control of the ultimate beneficial owners of the listed companies. We have excluded subscriptions (a) announced by listed companies which, as at the date of announcement and/or currently, were/are under prolonged suspension i.e. listed companies being suspended for three months or more as shown in the monthly prolonged suspension status report issued by the Stock Exchange; and (b) transactions involving open offers or rights issues, where different pricing considerations apply. We consider the Comparable Issues an exhaustive list of relevant comparable issues based on the said criteria above.

It should be noted that the subject companies involved the Comparable Issues may have different nature of business operations, market capitalisations, fund raising sizes, financial performance and financial position as compared with those of the Company. The circumstances leading to the subject companies to proceed with the subscriptions may also be different from those relating to the Company. However, as the Comparable Issues fulfilling the above criteria can provide a general reference of this type of transaction in the market, we consider them to be an appropriate basis to assess the fairness of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price.

For each of the Comparable Issues identified, we compared the premium or discount of its issue/subscription price to (a) the closing price on the last trading day; (b) the five trading days average closing price; and (c) the ten trading days average closing price prior to and including the last trading day before the release of the respective announcement, as summarised in the following table.

		Premium/(discount) of subscription/issue price over/(to)		
Date of announcement	**Company name and stock code**	**closing share price as at the last full day of trading immediately prior to the announcement** *(note 1)* % *(approximate)*	**average closing share price for the 5 full trading days immediately prior to the announcement** *(note 1)* % *(approximate)*	**average closing share price for the 10 full trading days immediately prior to the announcement** *(note 1)* % *(approximate)*
28 July 2015	Yueshou Environmental Holdings Limited (stock code: 1191)	(80.4)	(79.2)	(79.7)
31 July 2015	HengTen Networks Group Limited (formerly known as “Mascotte Holdings Limited”) (stock code: 136)	(97.9)	(97.6)	(97.5)
5 August 2015	Shanghai Tonva Petrochemical Co., Ltd (stock code: 1103)	(4.8)	(15.6)	(13.4)
27 August 2015	China Minsheng Financial Holding Corporation Limited (formerly known as “China Seven Star Holdings Limited”) (stock code: 245)	(89.9)	(87.7)	(86.7)
30 August 2015	Global Bio-Chem Technology Group Company Limited (stock code: 809)	(31.3)	(25.1)	(29.9)
12 October 2015	SRE Group Limited (stock code: 1207)	(74.4)	(73.3)	(73.5)
10 December 2015	China Jiuhao Health Industry Corporation Limited (stock code: 419)	(90.9)	(91.6)	(91.6)
14 December 2015	Optics Valley Union Holding Company Limited (stock code: 798)	(15.8)	(12.7)	(14.7)
15 December 2015	Huscoke Resources Holdings Limited (stock code: 704)	(63.0)	(63.2)	(64.0)
16 December 2015	FDG Electric Vehicles Limited (stock code: 729)	0.0	(3.9)	(5.0)
6 January 2016	Addchance Holdings Limited (stock code: 3344)	(60.8)	(66.8)	(61.4)

Date of announcement	Company name and stock code	Premium/(discount) of subscription/issue price over/(to) closing share price as at the last full day of trading immediately prior to the announcement *(note 1)* % *(approximate)*	average closing share price for the 5 full trading days immediately prior to the announcement *(note 1)* % *(approximate)*	average closing share price for the 10 full trading days immediately prior to the announcement *(note 1)* % *(approximate)*
16 February 2016	Varitronix International Limited (stock code: 710)	(33.7)	(34.5)	(33.4)
19 February 2016	Sino Credit Holdings Limited (stock code: 628)	(55.5)	(56.5)	(54.5)
29 February 2016	Hang Fat Ginseng Holdings Company Limited (stock code: 911)	(85.1)	(84.3)	(92.3)
17 May 2016	New Times Energy Corporation Limited (stock code: 166)	(3.1)	(0.9)	(3.4)
	Mean (simple average)	**(52.4)**	**(52.9)**	**(53.4)**
	Median	**(60.8)**	**(63.2)**	**(61.4)**
	Minimum discount	**0.0**	**(0.9)**	**(3.4)**
	Maximum discount	**(97.9)**	**(97.6)**	**(97.5)**
	The Subscription Price and the Initial Conversion Price	**(82.5)**	**(82.1)**	**(81.9)**
	Fully-diluted Subscription Price	**(85.3)**	**(84.9)**	**(84.8)**

Source: relevant announcements published on the Stock Exchange's website

Notes:

1. The closing share prices are sourced from Bloomberg.

2. China Agri-products Exchange Limited published an announcement in relation to, among other things, termination of the subscription agreement and the placing agreement on 5 October 2015. Therefore, this transaction was excluded in our analysis of the Comparable Issues.

3. Theme International Holdings Limited published an announcement in relation to, among other things, termination of the subscription agreement and application of whitewash waiver on 3 November 2015. Therefore, this transaction was excluded in our analysis of the Comparable Issues.

4. Yuhua Energy Holdings Ltd published an announcement on 3 February 2016 in relation to, among other things, lapse of the subscription agreement. As such, this transaction was excluded in our analysis of the Comparable Issues.

5. Talent Property Group Limited ("**Talent Property**") published an announcement on 11 January 2016 in relation to, among other things, amendment of the terms of the convertible notes issued in 2010 and the application for the whitewash waiver in respect of the potential conversion of the convertible notes that would trigger a mandatory offer obligation under the Takeovers Code. Since the transaction and the terms of the convertible notes were determined in 2010 without revision in 2016 (which falls outside the period under the criteria of our analysis as set out above), this transaction has been excluded in our analysis.

The 15 Comparable Issues set out in the table above have generally involved subscriptions of new shares at discounts to their respective historical trading prices. As set out in the table above, the Subscription Price and the Initial Conversion Price each represents (a) a discount of approximately 82.5% to the closing Share price on the Last Trading Day; (b) a discount of approximately 82.1% to the average closing price for the five trading days immediately prior to and including the Last Trading Day; and (c) a discount of approximately 81.9% to the average closing price for the ten trading days immediately prior to and including the Last Trading Day.

The Fully-diluted Subscription Price represents (a) a discount of approximately 85.3% to the closing Share price on the Last Trading Day; (b) a discount of approximately 84.9% to the average closing price for the five trading days immediately prior to and including the Last Trading Day; and (c) a discount of approximately 84.8% to the average closing price for the ten trading days immediately prior to and including the Last Trading Day.

These discounts are:

(1) within the range of discounts of the Comparable Issues for the closing share price as at the last trading day immediately prior to the announcement as well as the average closing share prices for each of the five and ten trading days; and

(2) higher than the mean of discounts of the Comparable Issues for the closing share price as at the last trading day immediately prior to the announcement as well as the average closing share prices for each of the five and ten trading days.

The discounts of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are within the range of discounts of the Comparable Issues as discussed above but discounts of 4 out of 15 of the Comparable Issues are higher than those of the Subscription Price and the Initial Conversion Price and discounts of 3 out of 15 of the Comparable Issues are higher than those of the Fully-diluted Subscription Price.

Given the situation of the Group which would be discussed in the sub-section headed "7. Discussion on the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price" in detail, in particular: (i) that the Subscription helps to strengthen the Group's existing business and provides with growth potential for the Group; (ii) that the Subscription allows the Group to bring a solid strategic corporate investor and to raise additional funds for the development of the Group's business; (iii) the current financial performance and position of the Group; and (iv) the discounts of the Comparable Issues, we consider such discounts acceptable.

6. Comparable companies and comparable transactions

(a) Comparable companies

As mentioned in the sub-section headed "Background to and reasons for the Subscription – (b) Background of the Group" above, the Group is principally engaged in the provision of gaming technologies, online and mobile lottery and lottery management in the PRC. Accordingly, we have conducted research on Bloomberg on a best effort basis for companies (the "**Comparable Companies**") (i) listed on the Stock Exchange under the industry of "Casino & Gaming" as classified by the Bloomberg Industry Classification

System; (ii) with country of domicile in Hong Kong or the PRC; and (iii) principally engaged in the development of lottery system including hardware, software solutions and related technology and operational services in the PRC. To the best of our knowledge, the Comparable Companies set out in the table below represent all the companies comparable to the Company based on the above criteria and represent an exhaustive list of the relevant comparable companies. As the Group reported losses for each of the three years ended 31 December 2013, 2014 and 2015, the price to earnings ratio ("**P/E**") and the enterprise value to earnings before interest expenses and other finance costs, tax, depreciation and amortisation ratio ("**EV/EBITDA**") are both negative and therefore, P/E and EV/EBITDA analysis are not considered to be meaningful in this case. As such, we have performed the price to book ratio ("**P/B**") analysis detailed below:

Stock code	**Comparable Companies**	**Market capitalisation as at the Latest Practicable Date** *(Note 3)* *(HK$ billion)*	**P/B** *(Note 3)*
555	Rexlot Holdings Limited	1.8	0.3
1371	China Lotsynergy Holdings Limited	2.4	1.9
8156	China Vanguard Group Limited	1.4	4.5
		Average	2.2
		Maximum	4.5
		Minimum	0.3
	The Subscription Price and the Initial Conversion Price *(Note 1)*		1.5
	Fully-diluted Subscription Price *(Note 2)*		1.3

Notes:

1. The implied P/B is calculated based on (i) the Subscription Price of HK$0.3478 per Subscription Share and the Initial Conversion Price of HK$0.3478 per Conversion Share; and (ii) the NAV per Share of approximately HK$0.23 as at 31 December 2015.

2. The implied P/B is calculated based on (i) the Fully-diluted Subscription Price; and (ii) the NAV per Share of approximately HK$0.23 as at 31 December 2015.

3. Market capitalisations and P/B of the Comparable Companies are extracted from Bloomberg.

As set out in the table above, the P/Bs of the Comparable Companies are in a range between 0.3 and 4.5, with an average of approximately 2.2.

Given the size of sample of the Comparable Companies and the spread of P/Bs, we are of the view that further analysis on relevant transactions should be conducted.

(b) Comparable transactions

To enhance our analysis on the Subscription, we have identified a list of transactions (the "**Comparable Transactions**").

The Comparable Transactions are selected based on the following criteria: (i) transactions announced in Mergermarket under the sector of "Leisure" and sub-sector "other entertainment" in the PRC and Hong Kong; (ii) the target companies being engaged in development of lottery system including hardware, software solutions and related technology and operational services in the PRC; (iii) announced during the period from 1 January 2015 to the Latest Practicable Date; and (iv) excluding transactions where the P/B not disclosed in the Mergermarket or cannot be retrieved from published financial information. We consider the Comparable Transactions an exhaustive list of relevant comparable transactions based on the said criteria above.

	Date of announcement	Target company	Bidder	Deal value (HK$ million) *(Note 1)*	P/B ratio *(Note 1)*
1.	5 January 2016	Multi Glory Limited *(Note 2)*	Sunjet Investments Limited	2,155.0	1.2
2.	15 December 2015	Ucinfo.com Co., Ltd.	Telling Telecommunication Holding Co., Ltd. *(Note 3)*	1,736.8	1.0
		Maximum			1.2
		Minimum			1.0
		Average			1.1
		The Subscription Price and the Initial Conversion Price			1.5
		The Fully-diluted Subscription Price			1.3

1. The exchange rate of US$1:HK$7.77 as at the Latest Practicable Date was extracted from Bloomberg and used in the above calculation. P/Bs of the Comparable Transactions were extracted from the respective details of the transactions in the announcement of RexLot Holdings Limited dated 5 January 2016 on the Stock Exchange and Telling Telecommunication Holding Co., Ltd dated 14 December 2015 on Shenzhen Stock Exchange.

2. Multi Glory Limited is a wholly-owned subsidiary of RexLot Holdings Limited, which is one of the Comparable Companies and is listed on the Stock Exchange.

3. Telling Telecommunication Holding Co., Ltd is a company listed on Shenzhen Stock Exchange principally engaged in mobile telecommunication services including distribution and repairing of communication products and mobile internet business.

Compared with the implied P/Bs of the Comparable Transactions, the implied P/B based on the Subscription Price and the Initial Conversion Price and the implied P/B based on the Fully-diluted Subscription Price are the highest and are acceptable from the Independent Shareholder's perspective.

7. Discussion on the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price

The Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are considerably lower than the closing price on the Last Trading Day, the average of the closing prices for the last five and ten trading days up to and including the Last Trading Day. Nevertheless, based on a number of qualitative and quantitative factors (as discussed below), we consider that the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are fair and reasonable to the Independent Shareholders:

(1) the Group has been experiencing continuous operating losses in recent years, in particular, the declining operational performance of the Group as indicated by the increase of loss after tax for the years ended 31 December 2014 and 2015;

(2) the deteriorated financial and liquidity position as reflected by (i) significant decrease in cash and bank balances as at 31 December 2015 by approximately 21.8% as compared with those in 2014; (ii) significant decrease in liquidity ratio (as defined by the current assets divided by the current liabilities) from approximately 6.6 times as at 31 December 2014 to approximately 2.4 times as at 31 December 2015;

(3) the Group recorded losses attributable to the Shareholders for 12 consecutive years since its listing on the Stock Exchange in January 2004, and has yet demonstrated a sound business model with profitability;

(4) the difficulties in obtaining debt financing mainly due to (i) lack of profitable business model as mentioned above; (ii) lack of tangible assets to use as security to obtain new borrowings and goodwill constituted approximately 69.4% of the total assets of the Group as at 31 December 2015; and (iii) the available and undrawn banking facilities of the Group is only approximately HK$25.5 million as at 31 December 2015;

(5) the benefits arising from the Subscription, including but not limited to, (i) providing substantial cash proceeds for the Group's future development and improvement of the financial and liquidity position mentioned above; and (ii) introducing a controlling shareholder that would be able to assist the Group to develop existing business, in particular, establishment of online distribution channel of lottery products which has a huge room of growth in the PRC, should be evaluated as a package against the substantial discounts to the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price;

(6) the Subscription Price and the Initial Conversion Price each represents a substantial premium of approximately 51.2% to the NAV per Share of approximately HK$0.23 as at 31 December 2015;

(7) the Fully-diluted Subscription Price represents a substantial premium of approximately 27.4% to the NAV per Share of approximately HK$0.23 as at 31 December 2015;

(8) the discounts of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are within the range of discounts of the Comparable Issues; and

(9) the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price to book value per Share of the Group is above the implied P/Bs of the Comparable Transactions.

8. Terms of the Convertible Bonds

The Convertible Bonds entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares, at the Initial Conversion Price of HK$0.3478 per Conversion Share, subject to adjustment upon occurrence of certain events prior to Completion.

Principal terms of the Convertible Bonds

Aggregate principal amount	HK$712,582,483
Maturity	Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bond at its principal amount with accrued and unpaid interest thereon on the Maturity Date, which is the third anniversary of the issuance date of the Convertible Bonds.
Dividend/interest	The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable Conversion Price.
Conversion right	A bondholder shall have the right to convert all or part of its Convertible Bonds into Shares at any time during the period on or after the issuance date of the Convertible Bonds and up to the Maturity Date provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirement under Rule 11.23(7) of the GEM Listing Rules.
Mandatory conversion	The Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the Maturity Date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirement under Rule 11.23(7) of the GEM Listing Rules.
Conversion price	The Initial Conversion Price is HK$0.3478 per Conversion Share. The Initial Conversion Price is subject to adjustment upon occurrence of certain events prior to Completion.

The number of Conversion Shares to be issued upon conversion of the Convertible Bonds will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect at the relevant date of conversion.

Conversion price adjustment

The Conversion Price will be subject to customary anti-dilution adjustment for consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of shares or options over shares at less than the current market price, rights issues of other securities, issues at less than the current market price, modification of rights of conversion etc., offers (including issues, sales or distributions) to shareholders or events which have or would have an effect on the position of the bondholders as a class compared with the position of the holders of all the securities of the Company, taken as a class, which is analogous to any of the events referred above (including any demerger, spin-off or similar arrangement in respect of any business of any member of the Group).

Conversion price adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options

If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the Conversion Price shall be adjusted in a manner so that:

(i) the Subscriber Shareholding in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its Affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a Fully-diluted Basis immediately following the issue of such Shares and/or the grant of such options

is equal to:

(ii) the Subscriber Shareholding immediately prior to the issue of such Shares and/or the grant of such options.

Following such adjustment due to the grant of the options under the Score Value Transaction, the Conversion Price shall not be further adjusted when such options are exercised.

If, at the time all or any part of the Convertible Bonds are to be converted into Shares, there are outstanding options to subscribe for Shares under the Rainwood Options and/or the Consultant Options, the Conversion Price shall be adjusted as if such options had been exercised.

Redemption on special event	Following the occurrence of a special event, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112 per cent of the principal amount of such Convertible Bonds. In the Bond Instrument, a "special event" means any of the following occurrences: (a) a change of control; (b) if the Shares cease to be listed or admitted to trading on the Stock Exchange, or if it is announced that the Shares will cease to be listed or admitted to trading on the Stock Exchange; (c) if there shall have been a breach of any of the covenants given by the Company pursuant to the terms of the Convertible Bonds; (d) if (i) any other present or future indebtedness of any member of the Group for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity; or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) any member of the Group fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds US$1,500,000 or its equivalent; and (e) if any member of the Group is in breach of the Group's anti-corruption policy.
Status	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations. No application will be made for a listing of the Convertible Bonds.
Transferability	The Convertible Bonds are freely transferable.

In assessing the terms of the Convertible Bonds, we have reviewed a number of comparable transactions which involved the issue of convertible notes/bonds (the "**CB Comparable Transactions**"). The CB Comparable Transactions are selected based on the following criteria: (i) the issuers are listed on the Stock Exchange; and (ii) such transactions involve the issue of convertible bonds/notes from 1 January 2016 and up to the Latest Practicable Date. Based on such criteria, we have on a best endeavour basis identified the following CB Comparable Transactions. We consider the CB Comparable Transactions an exhaustive list of relevant convertible notes/bonds comparable transactions based on the said criteria above:

Announcement date	Company name and stock code	Principal amount *(approximately HK$' million)*	Term to maturity *(years)*	Interest per annum (%) *(Note 2)*	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/ to the closing price of the shares as at the respective last trading day *(%)*	Approximate premium/ (discount) of conversion price over/ to the average closing price for the last five trading days prior to and including the respective last trading day *(%)*
5 January 2016	Ko Yo Chemical (Group) Limited (827)	50.0 *(Note 3)*	3.0	0.0	Y	(12.1)	(18.9) *(Note 5)*
6 January 2016	Blue Sky Power Holdings Limited (6828)	350.0	3.0	4.5	Y	(11.8)	(11.8)
13 January 2016	Cosmopolitan International Holdings Limited (120)	57.1	4.0	0.0	Y	6.1	4.2
15 January 2016	Rui Kang Pharmaceutical Group Investments Limited (8037)	43.3	2.0	0.0	Y	41.0	33.5
15 January 2016	National United Resources Holdings Limited (254)	560.0	3.0	3.0	Y	32.7	26.3 *(Note 5)*
17 January 2016	China Agroforestry Low-Carbon Holdings Limited (1069)	9.0	1.0	5.0	Y	0.6	1.2
18 January 2016	Hsin Chong Construction Group Ltd. (404)	34.0	2.0	0.0	Y	35.1	33.3
19 January 2016	China Fortune Investments (Holding) Limited (8116)	25.0	0.5	0.0	Y	70.7	67.9 *(Note 5)*
20 January 2016	Huaiun Holdings Limited (377)	1,330.0	3.0	3.5	Y	12.4	11.1
22 January 2016	Orange Sky Golden Harvest (Holdings) Limited (1132)	200.0	3.0	5.0	Y	112.8	106.2
22 January 2016	Tibet 5100 Water Resources Holdings Ltd. (1115)	600.0	3.0	6.0	Y	42.9	45.5
24 January 2016	Changgang Dunxin Enterprise Company Limited (2229)	80.0 *(Note 3)*	1.0	5.0	Y	(3.9)	(2.0)
26 January 2016	CRRC Corporation Limited (1766)	4,656.0	5.0	0.0	Y	32.2	32.6
26 January 2016	Sino Oil and Gas Holdings Limited (702)	200.0	2.0	8.0	Not disclosed	10.7	14.4
27 January 2016	CCT Fortis Holdings Limited (138)	250.2	3.0	5.0	Y	(2.2)	(7.8)
27 January 2016	China Success Finance Group Holdings Limited (3623)	129.8	2.5	3.0	Not disclosed	40.8	39.1
28 January 2016	China Fiber Optic Network System Group Ltd (3777)	166.9	2.0	6.0	Y	11.2	12.8 *(Note 5)*
3 February 2016	Chinasoft International Limited (354)	545.3	3.0	4.5	Y	10.3	11.5
14 February 2016	Sun East Technology (Holdings) Limited (365)	148.0	5.0	0.0	Not disclosed	(72.8)	(70.6)

Announcement date	Company name and stock code	Principal amount	Term to maturity	Interest per annum (%) *(Note 2)*	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/ to the closing price of the shares as at the respective last trading day	Approximate premium/ (discount) of conversion price over/ to the average closing price for the last five trading days prior to and including the respective last trading day
		(approximately HK$' million)	*(years)*			*(%)*	*(%)*
19 February 2016	Ban Loong Holdings Limited (30)	52.8	2	4.0	Not disclosed	(13.7)	(13.0)
25 February 2016	Chinese Strategic Holdings Limited (8089)	120.0	3.8	0.0	Y	(45.7)	(33.7) *(Note 5)*
1 March 2016	RCG Holdings Limited (802)	475.0	3	2.5	Y	(19.4)	(19.1) *(Note 5)*
2 March 2016	Chinese Strategic Holdings Limited (8089)	500.0 *(Note 3)*	4.1	3.0	Y	(26.5)	(39.6)
16 March 2016	SDM Group Holdings Limited (8363)	3.0	7.0	0.0	Y	10.3	27.6
16 March 2016	Prosperity International Holdings (HK) Limited (803)	155.4	2	5.0	Y	16.9	18.6
17 March 2016	Sheen Tai Holdings Group Company Limited (1335)	236.2	2	0.0	Not disclosed	(19.1)	(18.2)
18 March 2016	China Fortune Financial Group Limited (290)	40.4	1	12.0	Y	(9.1)	(8.1)
18 March 2016	Wealth Glory Holdings Limited (8269)	42.1	5	0.0	Y	12.3	8.0
28 March 2016	Innovative Pharmaceutical Biotech Limited (399)	280.0	3	8.5	Not disclosed	(9.1)	(7.8)
29 March 2016	Chinlink International Holdings Limited (997)	300.0 *(Note 3)*	2	11.0	Y	37.9	49.3 *(Note 5)*
29 March 2016	Deson Construction Int'l Holdings Limited (8268)	30.9 *(Note 3)*	3	2.0	Y	11.1	5.6
4 April 2016	China Finance Investment Holdings Limited (875)	2,400.0	5	0.0	Y	0.0	1.2
4 April 2016	Green International Holdings Limited (2700)	12.0	3	8.0	Y	28.2	28.2
13 April 2016	Huscoke Resources Holdings Limited (704)	43.3	1	2.5	Not disclosed	0.0	7.1
14 April 2016	FDG Electric Vehicles Limited (729)	275.0	5	0.0	Not disclosed	8.7	10.1
20 April 2016	China Agroforestry Low-Carbon Holdings Limited (1069)	5.0	2	8.0	Not disclosed	(19.1)	(15.3)
21 April 2016	China Oil Gangran Energy Group Holdings Limited (8132)	36.0 *(Note 3)*	1.5	7.0	Y	57.9	51.5 *(Note 5)*
22 April 2016	Code Agriculture (Holdings) Limited (8153)	120.0	3	6.0	Y	(94.6)	(94.6) *(Note 5)*
28 April 2016	China Packaging Holdings Development Limited (1439)	30.0	1.0	7.5	Y	(11.8)	(17.6) *(Note 5)*
3 May 2016	E-Rental Car Company Limited (1822)	100.0	2.0	5.0	Y	16.7	14.0
		100.0	3.0	5.0	Y	16.7	14.0
5 May 2016	China Fortune Investments (Holding) Limited (8116)	10.0	2.0	0.0	Y	1.6	2.2 *(Note 5)*
9 May 2016	Credit China Holdings Limited (8207)	1,000.0	3.0	7.0	Y	9.3	10.0 *(Note 5)*
16 May 2016	Evershine Group Holdings Limited (8022)	30.0	2.0	0.0	Y	6.4	5.3
16 May 2016	China U-Ton Holdings Limited (6168)	50.0	2.0	8.0	Y	1.3	2.0
19 May 2016	Sino Oil and Gas Holdings Limited (702)	100.0	2.0	8.0	Y	18.3	17.6
		30.0	2.0	8.0	Y	18.3	17.6
		30.0	2.0	8.0	Y	18.3	17.6
	Maximum		7.0	12.0		112.8	106.2
	Minimum		0.5	0.0		(94.6)	(94.6)
	Average		2.7	4.1		7.9	7.7
4 March 2016	**The Subscription Price and the Initial Conversion Price**	**712.0**	**3.0**	**0.0**	**100.0%**	**(82.5)**	**(82.1)**
	The Fully-diluted Subscription Price					**(85.3)**	**(84.9)**

Sources: relevant announcements published on the website of the Stock Exchange

Notes:

1. The exchange rate of US$1:HK$7.76 as at the date of the Announcement was extracted from Bloomberg and used in the above calculation.

2. The interest rate was extracted from respective announcements of the convertible bonds/notes and excluded any form of fee, commissions or reward tangible or contingent to convertible bonds/notes other than the interest rate.

3. Pursuant to the announcements, these were the best effort placing issues, the principal amounts were subject to the actual amount placed.

4. Pursuant to the announcement, Orange Sky Golden Harvest Entertainment (Holdings) Limited had an option to issue and the investor had an option to subscribe for additional convertible bonds (the "**Series 2 CB Option**") amounting to HK$100 million. As at the Latest Practicable Date, the Series 2 CB Option had not been exercised and therefore been excluded in the CB Comparable Transactions.

   Pursuant to the announcement, CRRC Corporation Limited had an option to issue and the investor had an option to subscribe for additional convertible bonds (the "**Option Bonds**") amounting to US$200 million. On 7 March 2016, CRRC Corporation Limited announced that the Option Bonds lapsed and therefore been excluded in the CB Comparable Transactions.

   Pursuant to the announcement, Chinese Strategic Holdings Limited had an option to issue and the investor had an option to subscribe for additional convertible bonds (the "**Further CB Option**") amounting to HK$500 million. As at the Latest Practicable Date, the Further CB Option had not been exercised and therefore been excluded in the CB Comparable Transactions.

5. Pursuant to the announcements, the discounts were calculated based on the last five consecutive trading days immediately prior to the respective last trading day.

(i) Conversion Price

The payment mechanism is divided into the Consideration Shares and the Convertible Bonds. The using of the Convertible Bonds could be viewed as a deferred consideration, given: (i) the three year term and non-interest bearing do not put immediate pressure on the Group's liquidity position; and (ii) the Company has to fulfil the "public float" requirement under the GEM Listing Rules. If the Subscriber subscribes for a total of 7,182,064,763 Shares (being the aggregate number of the Subscription Shares and the Conversion Shares, assuming no further Conversion Price Adjustment (as defined below) takes place after the Latest Practicable Date), the shareholding in the Company held by public Shareholders would decrease to approximately 22.30%, and the Company would not be able to maintain sufficient public float under the GEM Listing Rules.

Having taken into account that the Convertible Bonds are considered to be a deferred consideration, the Conversion Price should be evaluated together with the full impact of the Subscription; and the assessment of the Initial Conversion Price and the Fully-diluted Subscription Price have been discussed in section headed "7. Discussion on the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price" above and concluded as fair and reasonable.

(ii) Dividend/interest, term to maturity and redemption price

As shown in the table above, the Convertible Bonds is non-interest bearing and representing the minimum among the CB Comparable Transactions. We note that the term to maturity of the Convertible Bonds is three years which falls within the range of the CB Comparable Transactions from six months to seven years. We have also reviewed the redemption price of the CB Comparable Transactions and noted that a majority of the CB Comparable Transactions are with redemption price more than or equal to the face value of the convertible bonds on the date of redemption. Since the redemption price of the Convertible Bonds of 100% is the face value of the Convertible Bonds, we are of the view that the interest rate, the term to maturity and the redemption price of the Convertible Bonds are acceptable.

A term of dividend/interest is included in the Convertible Bonds, pursuant to which each bondholder is entitled to be paid interest in respect of the dividend paid in cash or in scrip to the Shareholders. Under such circumstances, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable Conversion Price. However, given that the Company did not pay dividends since 2007 and the Convertible Bonds are treated as a deferred consideration, we are of the view that the inclusion of dividend/interest in the Convertible Bonds is a relatively immaterial matter and is acceptable in the context of the benefits of the Subscription as a whole.

(iii) Redemption on special event

It is not uncommon for a similar mechanism being imposed in the redemption clause (i.e. change of control). There are two CB Comparable Transactions in the above table incorporated a similar mechanism. Having considered (i) the benefits from introducing Alibaba Group as a long term strategic corporate investor of the Company; and (ii) the possibility that may trigger the change of control of the Company is relatively remote given the market capitalisation of the Company upon Completion being approximately HK$16.6 billion (based on the Share price of HK$1.71 as at the Latest Practicable Date), we consider such mechanism acceptable.

(iv) Conversion price adjustment clause

As set out in the sub-section headed "Subscription Agreement – Principal Terms of the Convertible Bonds" of the Letter from the Board, the Conversion Price shall be adjusted (the "**Adjusted Conversion Price**") if the Company issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Rainwood Options or the Consultant Options (the "**Conversion Price Adjustment**"). Assuming the Conversion Price Adjustment takes place in full after the Latest Practicable Date, there would be an increase of an aggregate of 963,556,209 Shares representing the additional number of Shares to be issued by the Company to the Subscriber upon full conversion of the Convertible Bonds at the Adjusted Conversion Price on a Fully-diluted Basis. In such situation, the Subscriber will own 8,145,620,972 Shares upon full conversion of the Convertible Bonds at the Adjusted Conversion Price on a Fully-diluted Basis.

The existing public Shareholders' shareholdings (holding in aggregate of 2,697,183,926 Share as at the Latest Practicable Date) will be diluted from approximately 22.30% assuming conversion of the Convertible Bonds at the Adjusted Conversion Price of HK$0.3013 to approximately 20.66% upon full conversion of the Convertible Bonds at the Adjusted Conversion Price on a Fully-diluted Basis.

We noted that the Conversion Price Adjustment is an anti-dilution adjustment to the Subscriber only, but not extended to the Independent Shareholders. On a Fully-diluted Basis, the Initial Conversion Price will be adjusted to approximately HK$0.214 per Conversion Share. However, taken into account that the Convertible Bonds are considered to be a deferred consideration, the Subscription should be evaluated by considering the gross proceeds of the Subscription of HK$2,388 million and the maximum number of Shares will be issued i.e. 8,145,620,972 Shares, giving effect of Conversion Price Adjustment on a Fully-diluted Basis. Given the Fully-diluted Subscription Price (HK$2,388 million divided by 8,145,620,972 Shares) is still considerably above the NAV per Share of the Group as at 31 December 2015 by approximately 27.4%, this indicates that the Subscription (with the Conversion Price Adjustment in place) will still enhance the financial position of the Company and improve the NAV per Share upon Completion.

In addition, as advised by the Company, the parties of the Subscription Agreement, during the negotiation of the Subscription Agreement, noted that there were a large number of Shares to be issued under the Score Value Transaction, the Rainwood Options and the Consultant Options. As such, the negotiation between the parties of the Subscription Agreement was conducted as if the Shares under the Score Value Transaction, the Rainwood Options and the Consultant Options had been issued. As a result, the Subscription Agreement was concluded by the Subscriber and the Company with the Conversion Price Adjustment included in the Convertible Bonds. With the Conversion Price Adjustment on a Fully-diluted Basis, 8,145,620,972 Shares (the total of Subscription Shares and Conversion Shares) will be issued to the Subscriber, representing approximately 165.9% of the issued share capital of the Company as at the Latest Practicable Date. In case of only some, but not all, of options to subscribe for up to 166,666,666 Shares and 135,135,135 Shares (prior to the allotment and issue of 10,135,135 Shares) being granted pursuant to the Score Value Transaction, Conversion Price Adjustment will not be taking effect on a Fully-diluted Basis and it would avoid unnecessary dilution to the Independent Shareholders, where the Subscriber would maintain its shareholding. From the Independent Shareholders' perspective, the reasonableness and fairness of the Transactions should be assessed based on the most extreme scenario, i.e. the Fully-diluted Subscription Price as calculated by dividing the gross proceeds of HK$2,388 million by 8,145,620,972 Shares given that the Convertible Bonds are considered to be a deferred consideration. This should, in our view, provide the most prudent analysis as this scenario is considered to be the "worst" scenario with the largest number of Subscription Shares and Conversion Shares being issued. Should some of the options/Shares not being granted pursuant to the Score Value Transaction, the Fully-diluted Subscription Price will be at a level of more than HK$0.293 and the numbers of Shares to be issued to the Subscriber would be less than 8,145,620,972 Shares. For example, accordingly to the Adjusted Initial Conversion Price of HK$0.3013 as at the Latest Practicable Date, the total of Subscription Shares and Conversion Shares would be 7,182,064,763 (representing approximately 146.23% of the issued share capital of the Company as at the Latest Practicable Date). This is less diluting than the worst scenario as we discussed above.

Furthermore, as discussed in the sub-section headed "Background to and reasons for the Subscription – (g) Reasons for the Subscription" above, the Business Cooperation Framework Agreement provides significant opportunities and synergies for the existing businesses of the Group. Moreover, the Group will cease to be the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business if the Shares (or voting rights) held by any individual or entity and their Affiliates (including parties acting in concert with any of them) are more than those held by Alibaba Group and Ant Financial Group (including parties acting in concert with any of them). It is therefore important to avoid any possible material dilution as a result of Shares to be issued pursuant to exercise of existing convertible securities of the Company and to maintain the shareholding of the Subscriber in order to secure the long-term enjoyment of the benefits under the Business Cooperation Framework Agreement.

Moreover, at this stage, it would not be possible for the Group to finance significant capital expenditures (as detailed in the section headed "2. Use of proceeds and future business plan" above) without issuing new equity. The Group has recorded losses attributable to Shareholders for 12 consecutive years since its listing on the Stock Exchange in January 2004. Goodwill constituted approximately 69.4% of the total assets of the Group as at 31 December 2015, the Group's balance sheet does not have substantial tangible assets to use as security to obtain new borrowings. In our opinion, it is extremely difficult for the Group to finance the capital expenditures through debt financing.

As regards a rights issue or open offer, it would not be possible to bring in a solid corporate strategic investor to assist in developing the business of the Group given the potential policy change.

In view of the above, we consider the Conversion Price Adjustment is an undesirable and novel feature of the Convertible Bonds but is acceptable with reasons and in the context of the benefits of the Subscription as a whole.

9. Financial effects of the Subscription

(i) Net asset value attributable to the Shareholders

Upon Completion and assuming that the Convertible Bonds are converted in full, (i) 7,182,064,763 Shares will be issued by the Company as the Subscription Shares and the Conversion Shares (assuming no further Conversion Price Adjustment takes place after the Latest Practicable Date); and (ii) the Company shall receive the subscription money (estimated net proceeds from the Subscription) of approximately HK$2,380 million in cash. Accordingly, the net assets of the Group is expected to increase to the extent of the portion of the subscription money by the issue of the Subscription Shares and the Convertible Bonds. As such, the Directors expect the net asset value of the Group to increase by approximately the same amount as the net proceeds from the Subscription.

The table below sets out, for illustration purpose, the financial effect on the NAV per Share upon Completion and assuming that the Convertible Bonds are converted in full at the Conversion Price (assuming no further Conversion Price Adjustment takes place after the Latest Practicable Date), and there is no other change in the issued share capital of the Company other than the Subscription:

	As at 31 December 2015	The Shares issued after 31 December 2015 to the Latest Practicable Date		As at the Latest Practicable Date	Upon Completion and assuming that the Convertible Bonds are converted in full (assuming no further Conversion Price Adjustment takes place after the Latest Practicable Date) and there is no other change in the issued share capital of the Company	Total	Upon conversion of the Convertible Bonds based on the Adjusted Conversion Price on a Fully-diluted Basis	Total
	[A]	*[B]*		*[C=A+B]*	*[D]*	*[E=C+D]*	*[F]*	*[G=E+F]*
Net assets attributable to the Shareholders of the Group (HK$)	1,059,205,000	142,797,307	*(Note 1)*	1,202,002,307	2,380,000,000	3,582,002,307	–	3,582,002,307
Number of Shares	4,606,518,628	304,896,359	*(Note 2)*	4,911,414,987	7,182,064,763	12,093,479,750	963,556,209	13,057,035,959
NAV per Share (HK$)	0.2299			0.2447	0.3314	0.2962		0.2743

Notes:

1. The NAV enhancement is arrived based on (i) aggregate proceeds from exercise of the Rainwood Options received by the Company amounted to approximately HK$85.2 million (as stated in the Company's announcement dated 16 March 2016); (ii) the funds raised from exercise of share options under the Share Option Schemes amounted to approximately HK$57.6 million.

2. Including the Shares issued (i) upon exercise of the share options under the Share Option Schemes; (ii) upon exercise of the Consultant Options; (iii) upon exercise of the Rainwood Options; and (iv) pursuant to the Score Value Transaction.

As illustrated above, the NAV per Share of (i) approximately HK$0.2962 immediately after Completion; and (ii) approximately HK$0.2743 upon conversion of the Convertible Bonds based on the Adjusted Conversion Price on a Fully-diluted Basis are higher than the NAV per Share of approximately HK$0.2299 as at 31 December 2015. In light of this, we consider that the Independent Shareholders' interests, with reference to the NAV per Share, would be enhanced by the Subscription.

(ii) Liquidity position of the Group

Immediately after completion of the Subscription, based on the current assets as at 31 December 2015 of the Group and the estimated net proceeds of the Subscription of approximately HK$2,380 million, the liquidity ratio of the Group (as defined by current assets divided by current liabilities) would increase significantly from approximately 2.4 times as at 31 December 2015 to approximately 16.1 times. The net proceeds obtained from the Subscription would be able to significantly improve the liquidity position of the Group in order to carry out the ongoing business, future development and the significant future capital investments of the Group.

(iii) Decrease in public Shareholders' percentage shareholding

The Subscription Shares represent approximately 98.09% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion).

According to the table set out in the section headed "11. Effect on the shareholding structure of the Company" below, the public Shareholders' shareholding will be diluted from approximately 54.92% as at the Latest Practicable Date to approximately 27.72% immediately upon Completion (assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion).

We regard this as a significant dilution to the public shareholders of the Company, however, as mentioned above, the Subscription, based on the Subscription Price above the NAV per Share of the Group as at 31 December 2015, will enhance the financial position of the Company without significantly affecting the NAV per Share of the public Shareholders upon Completion. Also, the Subscription Price is considered to be fair and reasonable as set out in the section headed "7. Discussion on the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price" of this letter above. Furthermore, the dilution is an unattractive feature in itself, but should be viewed with the current financial position and operational performance of the Group, and the benefits arising from the Subscription as set out in the section above headed "Background to and reasons for the Subscription" as a whole, which we consider fair and reasonable to the Independent Shareholders.

10. Important risk factors

Shareholders' attention is also drawn to the risks relating to, among others, the Subscription, relevant regulations of the PRC, business and industry of the Group upon Completion and the Business Cooperation Framework Agreement, when considering the Subscription, including but not limited to:

- Currently, all lottery sales through online and mobile channels have been banned by the 2015 Announcement of Eight Ministries. There is no concrete timetable on the beginning of new approvals for lottery sales in the PRC through online and mobile channels. Also, there is no plan on how the regime would be reformed.

- Although China's lottery market has started to activate the trial sale of new types of mobile phone lottery games in various provinces, there is no assurance that the games of the Group would be allowed to activate trial sales.

- Although both Lucky Racing and e-Ball Lottery are approved lottery products as defined by MOF, there is no assurance, or concrete timetable, that both games could be introduced via the internet and mobile channels across the country, beyond Hunan and Jiangsu.

- Although the principles of the Business Cooperation Framework Agreement is provided in the Letter from the Board, the detailed terms and mechanisms of the Business Cooperation Framework Agreement is yet to finalise. Prior to the implementation of the business cooperation set out above, the parties (or their respective Affiliates) will further negotiate and enter into definitive agreements setting out the scope of services, fee arrangements and other detailed terms and conditions. The Group may or may not obtain favourable terms to the Group on some arrangements, or at all.

- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration centres may be discontinued or subject to restriction and regulations by the relevant national lottery administration centres. There is no assurance that the lottery products underlying the systems and technology supplied by the Group will be maintained, and if such lottery products are discontinued or restricted, there may be an adverse effect on the revenue, financial conditions and results of operations of the Group.

- The Group's business model in respect of the Group's existing supply of lottery games and the underlying supporting systems is largely based on revenue sharing of the sales of lotteries in certain provinces. There are risks that the administrative authorities might adjust the percentage of issue fees of sales of lotteries. In the case of decrease in issue fees, the technology providers receiving service fees on revenue sharing basis may be requested to adjust their fees proportionally.

11. Effect on the shareholding structure of the Company

The following table summarises the effect of the Subscription on the shareholding structure of the Company as at (a) the Latest Practicable Date; (b) immediately upon Completion (assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion); and (c) immediately upon Completion (assuming that the Convertible Bonds are converted in full at the Adjusted Conversion Price of HK$0.3013 and there is no other change in the issued share capital of the Company). Further details on (i) the effect of the Subscription on the shareholding structure; and (ii) the accompanying notes to the shareholding table are set out in the section headed "Effect of the Subscription on the shareholding structure of the Company" in the Letter from the Board.

	As at the Latest Practicable Date		**Immediately upon Completion (assuming that the Convertible Bonds are not converted at all)**		**Immediately upon Completion (assuming conversion of the Convertible Bonds at the Adjusted Conversion Price of HK$0.3013)**	
	Number of Shares	*%*	*Number of Shares (Note 1)*	*%*	*Number of Shares (Notes 1 & 2)*	*%*
Name of Shareholder						
Mr. Sun	2,033,328,000	41.400	2,033,328,000	20.900	2,033,328,000	16.813
Mr. Bai	76,574,600	1.559	76,574,600	0.787	76,574,600	0.633
Mr. Liang	23,670,250	0.482	23,670,250	0.243	23,670,250	0.196
Mr. Ho King Fung, Eric	10,643,961	0.217	10,643,961	0.109	10,643,961	0.088
Ms. Monica Maria Nunes	875,000	0.018	875,000	0.009	875,000	0.007
Directors of the Company's subsidiaries (other than the Directors)	69,139,250	1.408	69,139,250	0.711	69,139,250	0.572
Subscriber and parties acting in concert with it	–	–	4,817,399,245	49.517	7,182,064,763	59.388
Public shareholders	2,697,183,926	54.917	2,697,183,926	27.724	2,697,183,926	22.303
Total	**4,911,414,987**	**100.000**	**9,728,814,232**	**100.000**	**12,093,479,750**	**100.000**

Notes

1: Only in this scenario where the Convertible Bonds are not converted, Mr. Sun would, upon Completion, hold or control more than 20% of the voting rights of the Company, and Mr. Sun would therefore be deemed to be acting in concert with the Subscriber under class (1) in the definition of "acting in concert" under the Takeovers Code following the Completion. Accordingly, in such scenario, the Subscriber together with parties acting or presumed to be acting in concert with it will hold an aggregate of 6,850,727,245 Shares, representing approximately 70.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscriber together with parties acting or presumed to be acting in concert with it will hold an aggregate of 9,215,392,763 Shares, representing approximately 76.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares assuming that the Convertible Bonds are converted in full at the Adjusted Conversion Price of HK$0.3013 and there is no other change in the issued share capital of the Company. However, it is expected that the Subscriber will, immediately upon issue of the Subscription Shares at Completion, convert parts of the Convertible Bonds so that the Subscriber and Mr. Sun, as from immediately following Completion, hold

52.66% and 19.60% of the voting rights of the Company respectively. Accordingly, following Completion, Mr. Sun and the Subscriber will not be deemed to be parties acting in concert. As at the Latest Practicable Date, Mr. Sun is not acting in concert nor presumed to be acting in concert with the Subscriber.

2: Pursuant to the terms of the Convertible Bonds, if the conversion of the Convertible Bonds would lead to the failure of compliance with the public float requirement under the GEM Listing Rules, the Subscriber will not be entitled to convert the Convertible Bonds in full and hence will not acquire the maximum voting rights as illustrated in this scenario.

As illustrated above, the shareholding of the public Shareholders would be reduced from approximately 54.92% as at the Latest Practicable Date to approximately 27.72% at Completion (assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion).

12. Whitewash Waiver – Takeovers Code provisions

Upon issue of the Subscription Shares at Completion, assuming that there are no other changes in the issued share capital of the Company except for the issue of the Subscription Shares, the Subscriber (together with parties acting in concert with it) would in aggregate hold approximately 49.52% of the voting rights of the Company as enlarged by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares.

If, following the issue of the Subscription Shares at Completion, the Convertible Bonds are converted (partly or in whole) and the Conversion Shares are allotted and issued to the Subscriber, various occasions may arise where the Subscriber's holding of voting rights of the Company may increase by more than 2% within 12 month period from a holding of voting rights of between 30% to 50%.

If the Convertible Bonds are converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share immediately following the issue of the Subscription Shares at Completion, the holding of voting rights by the Subscriber (together with parties acting in concert with it) would increase from approximately 49.52% (as held by the Subscriber immediately upon issue of the Subscription Shares at Completion) to approximately 59.39% of the issued share capital of the Company (as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares, and assuming no other changes in the issued share capital of the Company). Similarly, while the Subscriber's holding of voting rights as from immediately following Completion is expected to be 52.66% due to a partial conversion of the Convertible Bonds immediately following the issue of the Subscription Shares at Completion, the issue of Shares to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction and/or the issue of Shares under share options granted under the Share Option Schemes after Completion may dilute the Subscriber's holding of voting rights to a percentage of between 30% and 50%, in which case a subsequent issue of Conversion Shares upon a conversion of the remaining Convertible Bonds may result again in an increase of the Subscriber's holding of voting rights by more than 2% within any 12 month period from a holding of voting rights of between 30% and 50%.

On any such occasion where the Subscriber's holding of voting rights of the Company increases by more than 2% within 12 month period from a holding of voting rights of between 30% and 50%, pursuant to the 2% creeper rule under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber (and parties acting in concert with it), unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive that the Whitewash Waiver extends to the allotment and issue of the Conversion Shares.

As discussed in the sub-section headed "8. Terms of the Convertible Bonds – (i) Conversion Price" above, the using of the Convertible Bonds could be viewed as a deferred consideration, for the Company to fulfil the "public float" requirement under the GEM Listing Rules. In order to allow flexibility of exercising the conversion rights attached to the Convertible Bonds after Completion, and avoid undue burdensome for the Company and the Independent Shareholders to convene and attend extra special general meeting(s) to approve such conversion(s) and subsequent whitewash waiver(s), we consider it is acceptable for the Whitewash Waiver to cover the allotment and issue of both the Subscription Shares and the Conversion Shares.

The Whitewash Waiver which, if granted, will be subject to, among other things, approval by the Independent Shareholders at the SGM by a way of a poll.

Shareholders should note that the Subscription is subject to the fulfilment or waiver (as the case may be) of a number of Conditions Precedent, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM for the Whitewash Waiver, which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders will be therefore necessary for the Group to proceed to the Completion.

DISCUSSION AND ANALYSIS

Strategic cooperation with Alibaba Group and Ant Financial Group and benefits of the Subscription

It is believed that the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group and Ant Financial Group.

The Business Cooperation Framework Agreement will be entered into between Taobao Software, Alipay and the Company at Completion. Pursuant to the Business Cooperation Framework Agreement, among others, the Group shall be (i) the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licences for the operations of lottery business; and (ii) authorised by Taobao Software and Alipay to operate lottery channels on their platforms.

It is expected that the Business Cooperation Framework Agreement will bring significant prospects to the Group's business, in particular, (i) the quantum of the online lottery sales to be sold by leveraging Taobao and Alipay's strong internet traffic, upon the authorities' new approvals for lottery sales in the PRC through online and mobile channels; and (ii) the launch of mobile lottery games by way of Taobao platform and Alipay platform, when selected lottery products obtain approvals for sales through the internet and mobile channels in the future.

In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce.

The Group's principle activities currently comprise four segments along with the entire value chain of the PRC lottery industry, and it is the Group's long term strategy and vision to continue to be an integrated technology and service provider. Therefore, the Group will, consistent with its long term strategy and vision, be able to continue to develop its other business segments, which requires substantial amount of capital, in particular, the development of games and systems. In particular, it is expected that more than half of the net proceeds from the Subscription amounting to approximately HK$1,200 million will be spent on the development of systems and games as the Company expected that R&D costs for conceiving the existing games of the Group, making them ready for the approval application process and bringing them to market and enhancing their scalability will be significant and ongoing in nature.

Even though the entering into of the Business Cooperation Framework Agreement, being part of the potential benefits of the Subscription, is subject to uncertainty, the benefits and such uncertainty should be evaluated in conjunction with the substantial funding to be provided to the Group upon Completion to further develop other business segments of the Group. We are of the view that, in light of the financial performance and liquidity position of the Group and, more importantly, opportunities arising from potential policy change, while these new business opportunities under the Business Cooperation Framework Agreement has not yet materialised and such uncertainty have also been considered with other risk factors as disclosed in the Letter, the entering into of the Subscription Agreement is still in the interests of the Company and the Shareholders.

The Subscription Price, the Conversion Price and the Fully-diluted Subscription Price

The Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are considerably lower than the closing price on the Last Trading Day, the average of the closing prices for the last five and ten trading days up to and including the Last Trading Day. However, given (i) the Subscription helps to strengthen the Group's existing business and provides with growth potential for the Group; (ii) that the Subscription allows the Group to bring a solid strategic corporate investor and to raise additional funds for the development of the Group's business; (iii) the current financial performance and position of the Group; and (iv) the discounts of the Subscription Price, the Initial Conversion Price and the Fully-diluted Subscription Price are within the range of discounts of the Comparable Issues, we consider such discounts acceptable.

The Subscription Price and the Initial Conversion Price each represents a substantial premium of approximately 51.2% to the NAV per Share of approximately HK$0.23 as at 31 December 2015. The Fully-diluted Subscription Price represents a substantial premium of approximately 27.4% to the NAV per Share of approximately HK$0.23 as at 31 December 2015. After considering the Comparable Companies and the Comparable Transactions, the implied P/B of the Subscription is acceptable from the Independent Shareholder's perspective.

Terms of the Convertible Bonds

Having taken into account that the Convertible Bonds are considered to be a deferred consideration, the Conversion Price should be evaluated together with the full impact of the Subscription, which we concluded as fair and reasonable.

We are of the view that the interest rate, the term to maturity and the redemption price of the Convertible Bonds are acceptable. Given that the Company did not pay dividends since 2007 and the Convertible Bonds are treated as a deferred consideration, we are of the view that the inclusion of dividend/interest in the Convertible Bonds is a relatively immaterial matter and is acceptable in the context of the benefits of the Subscription as a whole.

We consider the Conversion Price Adjustment is an undesirable and novel feature of the Convertible Bonds but is acceptable with reasons and in the context of the benefits of the Subscription as a whole.

Financial effects of the Subscription

The Company will receive substantial amount of the Subscription proceeds upon Completion. The Group needs such funding for operations and development, in particular, (i) the upfront costs before launching the games could be significant without guaranteed return, while the Group has quite a number of games in the pipeline; and (ii) the bundled supply of hardware with lottery games and underlying supporting systems will also require considerable development costs.

The NAV per Share of (i) approximately HK$0.2962 immediately after Completion; and (ii) approximately HK$0.2743 upon conversion of the Convertible Bonds based on the Adjusted Conversion Price on a Fully-diluted Basis are higher than the NAV per Share of approximately HK$0.2299 as at 31 December 2015. We consider that the Independent Shareholders' interests, with reference to the NAV per Share, would be enhanced by the Subscription.

The net proceeds obtained from the Subscription would be able to significantly improve the liquidity position of the Group in order to carry out the ongoing business, future development and the significant future capital investments of the Group.

Decrease in public Shareholders' shareholding percentage

The public Shareholders' shareholding will be diluted from approximately 54.92% as at the Latest Practicable Date to approximately 27.72% immediately upon Completion (assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares at Completion).

We regard this as a significant dilution to the public shareholders of the Company, which is an unattractive feature in itself. However, as mentioned above, the Subscription will enhance the financial position of the Company. Given (i) the Subscription Price is considered to be fair and reasonable; (ii) the current financial position and operational performance of the Group; and (iii) the benefits arising from the Subscription to bring in a solid strategic corporate investor, to strengthen the Group's existing business and to provide with growth potential for the Group, we consider the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable to the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
David Ching
Director

Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of the consolidated results and financial information of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, details of which were extracted from the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015 and the first quarterly report of the Company for the three months ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2013	**2014**	**2015**	**Three months ended 31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Revenue	208,360	211,051	301,630	19,452
Cost of sales and services	(117,092)	(141,469)	(232,433)	(12,337)
Gross Profit	91,268	69,582	69,197	7,115
Investment and other income	2,088	4,549	4,540	1,178
Selling and administrative expenses	(108,532)	(124,150)	(128,483)	(24,777)
Share of losses of a joint venture	–	(1)	(1)	–
Loss from business operations	(15,176)	(50,020)	(54,747)	(16,484)
Share-based payments	(60,072)	(136,279)	(35,192)	(27,059)
Net foreign exchange (loss)/gain	(106)	4	434	(2)
Amortisation of other intangible assets	(479)	(478)	(454)	–
Gain from change in fair value of investment property	–	–	1,202	–
(Loss)/gain from change in fair value of contingent consideration	–	–	(191,402)	30,449
Finance costs	(517)	–	(195)	(373)
Loss before tax	(76,350)	(186,773)	(280,354)	(13,469)
Income tax expense	(7,631)	(599)	(3,064)	(938)
Loss for the year/period	(83,981)	(187,372)	(283,418)	(14,407)

	2013	2014	2015	Three months ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Other comprehensive income, net of income tax				
Items that will not be reclassified to profit or loss:				
Gain arising on revaluation of property transferred to investment property	–	14,402	–	–
Items that may be reclassified subsequently to profit or loss:				
Translation differences on translating foreign operations	33,688	(4,645)	(65,200)	14,553
Other comprehensive income for the year/period, net of income tax	33,688	9,757	(65,200)	14,553
Total comprehensive income for the year/period	(50,293)	(177,615)	(348,618)	146
Loss attributable to:				
Owners of the Company	(82,940)	(189,184)	(280,222)	(13,810)
Non-controlling interests	(1,041)	1,812	(3,196)	(597)
	(83,981)	(187,372)	(283,418)	(14,407)
Total comprehensive income attributable to:				
Owners of the Company	(49,457)	(179,391)	(344,869)	674
Non-controlling interests	(836)	1,776	(3,749)	(528)
	(50,293)	(177,615)	(348,618)	146
Loss per Share Basic and diluted	HK2.01 cents	HK4.30 cents	HK6.20 cents	HK0.293 cent
Amount absorbed by dividends	–	–	–	–
Earnings and dividends per share	–	–	–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Non current assets			
Property, plant and equipment	53,079	15,182	11,814
Investment properties	–	54,343	52,536
Goodwill	796,946	793,618	1,119,289
Other Intangible assets	2,700	2,219	1,742
Investment in a joint venture	647	646	645
Available-for-sale investment	–	–	–
Deposits and prepayments	28,892	20,746	10,204
Other assets	1,802	1,795	1,695
Deferred tax assets	4,590	6,227	7,500
	888,656	894,776	1,205,425
Current assets			
Inventories	46,532	25,291	56,306
Trade receivables	37,289	31,071	29,597
Other receivables, deposits and prepayments	55,384	68,810	75,892
Amount due from a joint venture	6	8	11
Fixed deposit held at bank with original maturity over three months	–	37,914	–
Pledged bank deposits	–	2,976	15,042
Bank balances and cash	286,531	274,710	231,647
	425,742	440,780	408,495
Current liabilities			
Trade payables	9,783	26,082	36,664
Accruals and other payables	31,219	39,283	47,950
Amount due to a joint venture	650	650	650
Secured bank borrowings	2,473	–	21,982
Contingent consideration payables	–	–	63,503
Current tax liabilities	–	414	2,264
	44,125	66,429	173,013
Net current assets	381,617	374,351	235,482
Total assets less current liabilities	1,270,273	1,269,127	1,440,907

	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*
Non-current liabilities			
Provision for warranties	30,495	41,514	50,002
Deferred tax liabilities	4,399	5,706	5,576
Contingent consideration payable	–	–	326,806
	34,894	47,220	382,384
Net assets	1,235,379	1,221,907	1,058,523
Capital and reserves			
Share capital	8,698	8,880	9,213
Reserves	1,225,390	1,209,960	1,049,992
Equity attributable to owners of the Company	1,234,088	1,218,840	1,059,205
Non-controlling interests	1,291	3,067	(682)
Total equity	1,235,379	1,221,907	1,058,523

HLB Hodgson Impey Cheng Limited, the auditors of the Company for the financial years ended 31 December 2013, 2014 and 2015, did not issue any qualified opinion on the audited financial statements of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three financial years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 in its financial statements for those periods.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial information of the Group for the financial year ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015	2014
	Notes	*HK$'000*	*HK$'000*
Revenue	*7*	301,630	211,051
Cost of sales and services		(232,433)	(141,469)
Gross profit		69,197	69,582
Investment and other income	*9*	4,540	4,549
Selling and administrative expenses		(128,483)	(124,150)
Share of losses of a joint venture		(1)	(1)
Loss from business operations		(54,747)	(50,020)
Share-based payments		(35,192)	(136,279)
Net foreign exchange gain		434	4
Amortisation of other intangible assets	*20*	(454)	(478)
Gain from changes in fair value of investment properties	*17*	1,202	–
Loss from changes in fair value of contingent consideration payables		(191,402)	–
Finance costs	*10*	(195)	–
Loss before tax		(280,354)	(186,773)
Income tax expense	*11*	(3,064)	(599)
Loss for the year	*12*	(283,418)	(187,372)

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Gain arising on revaluation of property transferred to investment property		–	14,402
Items that may be reclassified subsequently to profit or loss:			
Translation differences on translating foreign operations		(65,200)	(4,645)
Other comprehensive income for the year, net of income tax		(65,200)	9,757
Total comprehensive income for the year		(348,618)	(177,615)
Loss attributable to:			
Owners of the Company		(280,222)	(189,184)
Non-controlling interests		(3,196)	1,812
		(283,418)	(187,372)
Total comprehensive income attributable to:			
Owners of the Company		(344,869)	(179,391)
Non-controlling interests		(3,749)	1,776
		(348,618)	(177,615)
Loss per Share			
Basic and diluted	*15*	HK6.20 cents	HK4.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Non-current assets			
Property, plant and equipment	*16*	11,814	15,182
Investment properties	*17*	52,536	54,343
Goodwill	*18*	1,119,289	793,618
Other intangible assets	*20*	1,742	2,219
Investment in a joint venture	*21*	645	646
Available-for-sale investment	*22*	–	–
Deposits and prepayments	*26*	10,204	20,746
Other assets		1,695	1,795
Deferred tax assets	*23*	7,500	6,227
		1,205,425	894,776
Current assets			
Inventories	*24*	56,306	25,291
Trade receivables	*25*	29,597	31,071
Other receivables, deposits and prepayments	*26*	75,892	68,810
Amount due from a joint venture	*21*	11	8
Fixed deposit held at bank with original maturity over three months	*27*	–	37,914
Pledged bank deposits	*27*	15,042	2,976
Bank balances and cash	*27*	231,647	274,710
		408,495	440,780
Current liabilities			
Trade payables	*28*	36,664	26,082
Accruals and other payables	*29*	47,950	39,283
Amount due to a joint venture	*21*	650	650
Secured bank borrowings	*30*	21,982	–
Contingent consideration payables	*31*	63,503	–
Current tax liabilities		2,264	414
		173,013	66,429
Net current assets		235,482	374,351
Total assets less current liabilities		1,440,907	1,269,127

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Provision for warranties	*32*	50,002	41,514
Deferred tax liabilities	*23*	5,576	5,706
Contingent consideration payables	*31*	326,806	–
		382,384	47,220
Net assets		1,058,523	1,221,907
Capital and reserves			
Share capital	*33*	9,213	8,880
Reserves		1,049,992	1,209,960
Equity attributable to owners of the Company		1,059,205	1,218,840
Non-controlling interests		(682)	3,067
Total equity		1,058,523	1,221,907

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 33)			*(Note (a))*		*(Note (b))*	*(Note (c))*	*(Note (d))*				
Balance at 1 January 2014	8,697	1,390,983	66,696	13,864	197,591	47,191	–	–	(490,934)	1,234,088	1,291	1,235,379
Loss for the year	–	–	–	–	–	–	–	–	(189,184)	(189,184)	1,812	(187,372)
Other comprehensive income for the year	–	–	–	–	(4,609)	–	14,402	–	–	9,793	(36)	9,757
Total comprehensive income for the year	–	–	–	–	(4,609)	–	14,402	–	(189,184)	(179,391)	1,776	(177,615)
Recognition of equity-settled share-based payments	–	–	136,279	–	–	–	–	–	–	136,279	–	136,279
Lapse of share options	–	–	(407)	–	–	–	–	–	407	–	–	–
Shares issued on exercise of part of share options	183	37,105	(9,424)	–	–	–	–	–	–	27,864	–	27,864
Transfer from accumulated losses	–	–	–	1,398	–	–	–	–	(1,398)	–	–	–
Balance at 31 December 2014	8,880	1,428,088	193,144	15,262	192,982	47,191	14,402	–	(681,109)	1,218,840	3,067	1,221,907

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK'000$*	*HK$'000*	*HK$'000*
	(Note 33)			*(Note (a))*		*(Note (b))*	*(Note (c))*	*(Note (d))*				
Balance at 1 January 2015	8,880	1,428,088	193,144	15,262	192,982	47,191	14,402	–	(681,109)	1,218,840	3,067	1,221,907
Loss for the year	–	–	–	–	–	–	–	–	(280,222)	(280,222)	(3,196)	(283,418)
Other comprehensive income for the year	–	–	–	–	(64,647)	–	–	–	–	(64,647)	(553)	(65,200)
Total comprehensive income for the year	–	–	–	–	(64,647)	–	–	–	(280,222)	(344,869)	(3,749)	(348,618)
Recognition of equity-settled share-based payments	–	–	35,192	–	–	–	–	–	–	35,192	–	35,192
Lapse of share options	–	–	(36,176)	–	–	–	–	–	36,176	–	–	–
Issue of ordinary shares arising from acquisition	68	30,337	–	–	–	–	–	–	–	30,405	–	30,405
Contingent consideration-shares arising from acquisition	–	–	–	–	–	–	–	60,811	–	60,811	–	60,811
Shares issued on exercise of part of share options	265	82,172	(23,611)	–	–	–	–	–	–	58,826	–	58,826
Transfer from accumulated losses	–	–	–	2,927	–	–	–	–	(2,927)	–	–	–
Balance at 31 December 2015	9,213	1,540,597	168,549	18,189	128,335	47,191	14,402	60,811	(928,082)	1,059,205	(682)	1,058,523

Notes:

(a) In accordance with the statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained profits to statutory reserve. The statutory reserve is not distributable.

(b) The contributed surplus of the Group represents the transfer from the share premium account in prior years.

(c) The property revaluation reserve represents cumulative gains arising from the revaluation of property, plant and equipment that have been transferred to investment properties. Items included in the property revaluation reserve will not be reclassified subsequently to profit or loss.

(d) The other reserve of the Group represents the aggregate amounts of contingent consideration-shares arising from the acquisition of Score Value Group during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(280,354)	(186,773)
Adjustments for:		
Share of losses of a joint venture	1	1
Expenses recognised in respect of equity-settled share-based payments	35,192	136,279
Depreciation of property, plant and equipment	4,365	5,700
Amortisation of other intangible assets	454	478
Provision for warranties	14,468	18,224
Reversal of provision for warranties	(612)	(2,688)
Impairment loss recognised on trade receivables	–	227
Net losses/(gains) on disposal of property, plant and equipment	211	(184)
Bank interest income	(2,290)	(2,461)
Loss from changes in fair value of contingent consideration payables	191,402	–
Gain from change in fair value of investment properties	(1,202)	–
Finance costs recognised in profit or loss	195	–
	(38,170)	(31,197)
Movements in working capital		
Decrease in inventories	948	22,392
Decrease in deposits and prepayments	10,541	8,146
Decrease in trade receivables	1,499	5,990
Increase in other receivables, deposits and prepayments	(5,225)	(13,427)
Increase in amount due from a joint venture	(2)	(2)
(Decrease)/increase in trade payables	(14,089)	16,299
(Decrease)/increase in accruals and other payables	(23,781)	8,063
Decrease in provision for warranties	(3,037)	(4,383)
Cash (used in)/generated from operations	(71,316)	11,881
Income taxes paid	(3,570)	(4,524)
NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES	(74,886)	7,357

	2015 *HK$'000*	2014 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,290	2,461
Payments for property, plant and equipment	(1,428)	(7,661)
Proceeds from disposal of property, plant and equipment	–	401
Decrease/(increase) in fixed deposit held at bank with original maturity over three months	37,914	(37,914)
Increase in pledged bank deposits	(12,066)	(2,976)
Acquisition of subsidiaries	(55,757)	–
NET CASH USED IN INVESTING ACTIVITIES	(29,047)	(45,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	58,826	27,864
Proceeds from secured bank borrowings	21,982	–
Interest paid	(195)	–
NET CASH GENERATED BY FINANCING ACTIVITIES	80,613	27,864
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,320)	(10,468)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	274,710	286,531
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(19,743)	(1,353)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	231,647	274,710
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	231,647	274,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its issued Shares have been listed on GEM.

At 31 December 2015, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands ("BVI"), as the immediate and ultimate holding company of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in lottery games and systems, hardware, distribution and ancillary services in the PRC. Details of the principal activities of such principal subsidiaries are set out in Note 38.

The consolidated financial statements are presented in HK$. The functional currency of the Company is RMB. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$, and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

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

The Group has applied the following amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRS	Annual Improvements to HKFRS 2010–2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRS 2011–2013 Cycle

The adoption of these new and revised standards, interpretation and amendments to standards have no material effect on the results and financial position of the Group.

In addition, the Company has adopted the amendments to the Rules Governing the listing of Securities on the GEM of Stock Exchange (the "GEM Listing Rule") relating the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap 622) during the current year. The impact on the financial statement is on the presentation and disclosure of certain information in the consolidated financial statement in long term.

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS	Annual Improvements to HKFRS 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5–step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sports lottery management and marketing consultancy services is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Revenue from the supply of sports lottery sales terminals (and accessories) is recognised when the sports lottery sales terminals (and accessories) are supplied to the customers.

Revenue from gaming technologies services is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of a joint arrangement that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

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

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

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

Retirement benefit costs

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

Share-based payment arrangements

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

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

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

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if temporary difference arises from the initial recognition of goodwill.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

Property, plant and equipment

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Provisions

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

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

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

Warranties

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 6.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see the accounting policy in respect of impairment losses on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a joint venture, fixed deposit held at bank with maturity original maturity over three months, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 6.

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables, amount due to a joint venture and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expenses is included in net gains or losses.

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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

Related parties

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

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

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

  (b) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the group.

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

Cash and cash equivalents

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Classification of AG Inspired Lottech Limited as a joint venture

AG Inspired Lottech Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangements and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, AG Inspired Lottech Limited is classified as a joint venture of the Group. See Note 21 for details.

Withholding taxes arising from the distributions of dividends

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Depreciation of property, plant and equipment

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

Estimated impairment of trade and other receivables

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

Estimated impairment loss of inventories

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

Deferred tax assets

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

Provision for warranties

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns. Management reviews and adjusts the provision to recognise the estimate at the end of the reporting period. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables, amount due to a joint venture, secured bank borrowings and contingent consideration payables net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

Net debt-to-equity ratio

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt.

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

	2015	**2014**
	HK$'000	*HK$'000*
Debt	497,555	66,015
Less: cash and cash equivalents	231,647	274,710
Net debt	265,908	(208,695)
Equity attributable to owners of the Company	1,059,205	1,218,840
Net debt-to-equity ratio	25.10%	N/A

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Notes	2015 HK$'000	2014 HK$'000
Financial assets			
Available-for-sale investment	22	–	–
Loans and receivables			
Trade receivables	25	29,597	31,071
Financial assets included in other receivables and deposits	26	53,079	58,562
Amount due from a joint venture	21	11	8
Fixed deposit held at bank with original maturity over three months	27	–	37,914
Pledged bank deposits	27	15,042	2,976
Bank balances and cash	27	231,647	274,710
		329,376	405,241
Financial liabilities			
Financial liabilities at FVTPL			
Contingent consideration payables	31	390,309	–
Amortised cost			
Trade payables	28	36,664	26,082
Financial liabilities included in accruals and other payables	29	37,138	30,348
Amount due to a joint venture	21	650	650
Secured bank borrowings	30	21,982	–
		486,743	57,080

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade receivables, other receivables and deposits, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade payables, accruals and other payables, amount due to a joint venture, secured bank borrowings and contingent consideration payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate the effects of these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Market risks

Foreign currency risk

Transactional currency exposures arise from revenue or cost of sales and services by operating units in currencies other than the units' functional currency. Substantially all of the Group's revenue and cost of sales and services are denominated in the functional currency of the operating units making the revenue, and substantially all the costs of sales and services are denominated in the units' functional currency. Accordingly, the Directors consider that the Group is not exposed to significant currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings.

The Group does not enter into any derivative financial instruments in order to mitigate its exposure associated with fluctuations relating to fair value of its cash flows of interest receipts. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As the Group is not exposed to significant interest rate risk, the Directors consider that the presentation of sensitivity analysis is unnecessary.

Other price risk

As the Group has no significant investments in financial instruments at fair values, the Group is not exposed to significant price risk.

Credit risk management

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

As at 31 December 2015, the Group is subject to concentration of credit risk as 12% (2014: 28%) of the Group's trade receivables were due from the Group's largest customer. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 25.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables, the Group does not have any other significant concentration of credit risk.

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and reserve borrowing facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At 31 December 2015, the Group has available unutilized banking facilities of approximately HK$25,478,000 (2014: nil).

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from market interest rates prevailing at the end of reporting period.

	Weighted average interest rate	**On demand or within 1 year**	**More than 1 year but not more than 5 years**	**Total undiscounted cash flows**	**Carrying amounts**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015					
Non-derivative financial liabilities					
Trade payables	–	36,664	–	36,664	36,664
Accruals and other payables	–	37,138	–	37,138	37,138
Amount due to a joint venture	–	650	–	650	650
Secured bank borrowings	3.75%	22,358	–	22,358	21,982
		96,810	–	96,810	96,434
Derivative financial liabilities					
Contingent consideration payables	–	63,503	326,806	390,309	390,309
		160,313	326,806	487,119	486,743
At 31 December 2014					
Non-derivative financial liabilities					
Trade payables	–	26,082	–	26,082	26,082
Accruals and other payables	–	30,348	–	30,348	30,348
Amount due to a joint venture	–	650	–	650	650
		57,080	–	57,080	57,080

(c) Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis

Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contingent consideration payables	–	–	390,309	390,309

The descriptions of the valuation techniques and inputs used in fair value measurement for the contingent consideration payables were detailed in Note 31 and 39.

During the years ended 31 December 2015 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2.

Reconciliation of Level 3 fair value measurements

	2015	**2014**
	HK$'000	*HK$'000*
At the beginning of year	–	–
Acquisition of subsidiaries	198,907	–
Change in fair value recognised in profit or loss (included in loss from changes in fair value of contingent consideration payables)	191,402	–
At the end of year	390,309	–

7. REVENUE

Revenue represents the amounts received and receivable from lottery games and systems, hardware, distribution and ancillary services in the PRC for the year, and is analysed as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Lottery games and systems and hardware	282,058	188,522
Provision of distribution and ancillary services	19,572	22,529
	301,630	211,051

8. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of performance focuses specifically on the revenue analysis by principal categories of the Group's business and the profit of the Group as a whole.

Accordingly, the CODM have determined that the Group has one sole operating segment (as a professional service provider in China's sports lottery market). The information regarding revenue derived from the principal businesses described above is set out in Note 7.

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

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

Geographical information

The Group's operations are mainly located in the PRC.

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

	Revenue from external customers		Non-current assets*	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC	300,689	209,513	1,195,342	885,753
Hong Kong	–	–	2,583	2,796
Others	941	1,538	–	–
	301,630	211,051	1,197,925	888,549

* Non-current assets excluding deferred tax assets.

Information about major customers

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

	2015	**2014**
	HK$'000	*HK$'000*
Customer A	82,220	N/A[1]
Customer B	N/A[1]	43,423
Customer C	N/A[1]	21,948
	82,220	65,371

[1] The corresponding customer did not contribute over 10% or more to the Group's revenue in the respective year.

9. INVESTMENT AND OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Interest income on bank deposits	2,290	2,461
Rental income from investment properties	3,099	1,418
Sundry income and expenses	(849)	670
	4,540	4,549

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on secured bank borrowings	195	–

11. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	4,464	2,295
Under provision in prior year:		
– PRC EIT	41	178
Deferred tax *(Note 23)*:		
– Current year	(1,441)	(1,874)
Total income tax recognised in profit or loss	3,064	599

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as there were no assessable profits arising in or derived from Hong Kong for both years.

北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) ("GOT") and 深圳中林瑞德科技有限公 (Shenzhen Zoom Read Tech Co., Ltd.*) ("Shenzhen Subsidiary") are subject to PRC EIT at 15% for both years as GOT and Shenzhen Subsidiary are recognised as an Advanced and New Technology Enterprise under the PRC EIT Law. Other PRC subsidiaries are subject to PRC EIT at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

* *For identification purpose only*

Income tax recognised in profit or loss

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

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	(280,354)	(186,773)
Tax at domestic income tax rate	(48,122)	(32,141)
Tax effect of expenses not deductible for tax purpose	44,843	31,065
Tax effect of income not taxable for tax purpose	(203)	(803)
Utilisation of tax losses previously not recognised	1,291	(1,761)
Tax effect of unrecognised estimated tax losses	6,655	5,935
Under provision in prior year	41	178
Reversal of temporary differences	(1,441)	(1,874)
Income tax expense for the year	3,064	599

Income tax recognised in other comprehensive income

	2015	2014
	HK$'000	*HK$'000*
Deferred tax		
Arising on income recognised in other comprehensive income:		
Revaluation of property transferred to investment properties	–	1,537
Total income tax recognised in other comprehensive income	–	1,537

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	1,100	950
Cost of inventories recognised as an expense (included in cost of sales and services)	176,240	109,105
Provision for warranties (included in cost of sales and services)	14,468	18,224
Reversal of provision for warranties (included in cost of sales and services)	(612)	(2,688)
Impairment loss recognised on trade receivables	–	227
Depreciation of property, plant and equipment	4,365	5,700
Net losses/(gains) on disposals of property, plant and equipment	211	(184)
Operating lease rentals in respect of rented premises	16,156	16,375
Research and development costs	20,881	12,953
Gross rental income from investment properties	(3,099)	(1,418)
Less: direct operating expenses from investment properties that generated income during the year	328	131
	(2,771)	(1,287)
Employee benefits expense, including Directors' remunerations *(Note 13)*:		
Fees, salaries, discretionary bonuses and other benefits	55,048	43,410
Share-based payments	32,175	37,296
Social security costs	9,774	8,018
Contributions to retirement benefits schemes	161	181
Total employee benefits expense	97,158	88,905

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2014: nine) Directors and the chief executive were as follows:

For the year ended 31 December 2015

	Fees	Salaries and other benefits in kind	Share-based payments	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Sun Ho	3,600	800	–	18	4,418
Mr. Robert Geoffrey Ryan *(Note (i))*	554	46	496	–	1,096
Mr. Bai Jinmin	1,494	603	2,369	18	4,484
Mr. Liang Yu	1,229	601	1,435	113	3,378
Mr. Cheng Guoming *(Note (ii))*	943	580	5,035	12	6,570
Non-executive Director:					
Mr. Ho King Fung, Eric	120	–	1,633	–	1,753
Independent non-executive Directors:					
Ms. Monica Maria Nunes	120	–	152	–	272
Mr. Wang Ronghua *(Note (iii))*	35	–	(204)	–	(169)
Mr. Hua Fengmao *(Note (iii))*	35	–	(204)	–	(169)
Dr. Gao Jack Qunyao *(Note (iv))*	65	–	168	–	233
Mr. Feng Qing *(Note (v))*	65	–	168	–	233
Total emoluments	8,260	2,630	11,048	161	22,099

For the year ended 31 December 2014

	Fees	Salaries and other benefits in kind	Share-based payments	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Sun Ho	3,600	300	–	17	3,917
Mr. Robert Geoffrey Ryan	1,662	138	2,407	–	4,207
Mr. Bai Jinmin	1,506	325	3,930	17	5,778
Mr. Liang Yu	1,237	303	2,407	79	4,026
Non-executive Directors:					
Ms. Yang Yang *(Note (vi))*	69	–	(140)	–	(71)
Mr. Ho King Fung, Eric	120	–	2,635	–	2,755
Independent non-executive Directors:					
Ms. Monica Maria Nunes	120	–	246	–	366
Mr. Wang Ronghua	100	–	242	–	342
Mr. Hua Fengmao	100	–	242	–	342
Total emoluments	8,514	1,066	11,969	113	21,662

Notes:

(i) Resigned on 1 May 2015.

(ii) Appointed on 6 May 2015.

(iii) Retired on 5 May 2015.

(iv) Appointed on 6 May 2015.

(v) Appointed on 4 May 2015.

(vi) Retired on 5 May 2014.

Mr. Sun Ho is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived their emoluments during the year ended 31 December 2015 (2014: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: four) were Directors whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining one (2014: one) individuals were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries and other benefits	1,309	1,419
Social security costs	117	111
Discretionary bonus	80	118
Share-based payments	6,878	12,439
	8,384	14,087

Their emoluments were within the following bands:

	2015	**2014**
	Number of individuals	*Number of individuals*
HK$8,000,001 to HK$8,500,000	1	–
HK$14,000,001 to HK$14,500,000	–	1
	1	1

15. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2015 of approximately HK$280,222,000 (2014: approximately HK$189,184,000) and the weighted average number of approximately 4,522,154,000 Shares (2014: approximately 4,397,479,000 Shares) in issue during the year ended 31 December 2015.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Sports lottery sales terminals	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
Balance at 1 January 2014	48,400	7,049	6,363	6,380	9,486	7,222	84,900
Additions	–	–	1,745	473	1,082	4,361	7,661
Disposals	–	–	(2,010)	(575)	(602)	(1,815)	(5,002)
Reclassified as investment properties	(47,139)	–	–	–	–	–	(47,139)
Effect of foreign currency exchange differences	(329)	(30)	(24)	(23)	(37)	(29)	(472)
Balance at 31 December 2014 and 1 January 2015	932	7,019	6,074	6,255	9,929	9,739	39,948
Additions	–	–	158	730	540	–	1,428
Acquisition through business combination	–	–	–	143	7,283	780	8,206
Disposals	–	–	–	(955)	(855)	–	(1,810)
Effect of foreign currency exchange differences	(51)	(388)	(310)	(298)	(902)	(434)	(2,383)
Balance at 31 December 2015	881	6,631	5,922	5,875	15,995	10,085	45,389
DEPRECIATION							
Balance at 1 January 2014	7,310	7,049	2,962	5,160	4,692	4,648	31,821
Depreciation expense	2,034	–	1,173	714	1,780	1,149	6,850
Eliminated on disposals of assets	–	–	(2,010)	(589)	(594)	(1,592)	(4,785)
Reclassified as investment properties	(8,984)	–	–	–	–	–	(8,984)
Effect of foreign currency exchange differences	(57)	(30)	(9)	(4)	(18)	(18)	(136)
Balance at 31 December 2014 and 1 January 2015	303	7,019	2,116	5,281	5,860	4,187	24,766
Depreciation expense	44	–	1,320	869	1,799	1,519	5,551
Acquisition through business combination	–	–	–	111	5,887	456	6,454
Eliminated on disposals of assets	–	–	–	(950)	(649)	–	(1,599)
Effect of foreign currency exchange differences	(17)	(388)	(99)	(244)	(613)	(236)	(1,597)
Balance at 31 December 2015	330	6,631	3,337	5,067	12,284	5,926	33,575
CARRYING AMOUNTS							
Balance at 31 December 2015	551	–	2,585	808	3,711	4,159	11,814
Balance at 31 December 2014	629	–	3,958	974	4,069	5,552	15,182

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land under finance lease	:	Over the lease term
Buildings	:	5%
Sports lottery sales terminals	:	20%
Leasehold improvements	:	20% or over the relevant lease terms, whichever is shorter
Computer equipment	:	20% – 33 $^1/_3$%
Furniture, fixtures and equipment	:	20% – 33 $^1/_3$%
Motor vehicles	:	10% – 25%

17. INVESTMENT PROPERTIES

	2015	**2014**
	HK$'000	*HK$'000*
At fair value		
Balance at beginning of year	54,343	–
Net increase in fair value recognised in profit or loss	1,202	–
Transfer from property, plant and equipment	–	54,094
Effect of foreign currency exchange differences	(3,009)	249
Balance at end of year	52,536	54,343

The Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2015, the Group's investment properties with an aggregate carrying amount of approximately HK$52,536,000 (2014: nil) have been pledged to secure certain bank borrowings and banking facilities granted to the Group.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective date by Asset Appraisal Limited ("AAL"), an independent professional valuer not connected to the Group.

AAL is a member of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined was derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Office units located in the PRC	–	52,536	–	52,536

18. GOODWILL

	HK$'000
COST	
Balance at 1 January 2014	796,946
Effect of foreign currency exchange differences	(3,328)
Balance at 31 December 2014 and 1 January 2015	793,618
Arising on acquisition of subsidiaries	369,503
Effect of foreign currency exchange differences	(43,832)
Balance at 31 December 2015	1,119,289
CARRYING AMOUNTS	
Balance at 31 December 2015	1,119,289
Balance at 31 December 2014	793,618

19. IMPAIRMENT TESTING ON GOODWILL

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

- Information technology solutions
- Consultancy services

The carrying amount of goodwill was allocated to groups of CGUs as follows:

	2015 HK$'000	2014 HK$'000
Information technology solutions	3,057	3,235
Consultancy services	1,116,232	790,383
	1,119,289	793,618

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

Information technology solutions

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years and a discount rate of 24% per annum (2014: 23%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent qualified professional valuer not connected to the Group.

During the year ended 31 December 2015, management of the Group determined that there was no impairment of goodwill (2014: nil).

Consultancy services

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% growth rate (2014: 3%) and a discount rate of 20% per annum (2014: 16%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent qualified professional valuer not connected to the Group.

During the year ended 31 December 2015, management of the Group determined that there was no impairment of goodwill (2014: nil).

20. OTHER INTANGIBLE ASSETS

	Club membership	Capitalised development costs	Non-competition agreements	Contracted Customer	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
Balance at 1 January 2014	1,742	2,875	6,280	213,092	223,989
Effect of foreign currency exchange differences	–	(12)	(26)	(890)	(928)
Balance at 31 December 2014 and1 January 2015	1,742	2,863	6,254	212,202	223,061
Effect of foreign currency exchange differences	–	(170)	(372)	(11,720)	(12,262)
Balance at 31 December 2015	1,742	2,693	5,882	200,482	210,799
AMORTISATION					
Balance at 1 January 2014	–	1,917	6,280	213,092	221,289
Amortisation expense	–	478	–	–	478
Effect of foreign currency exchange differences	–	(9)	(26)	(890)	(925)
Balance at 31 December 2014 and1 January 2015	–	2,386	6,254	212,202	220,842
Amortisation expense	–	454	–	–	454
Effect of foreign currency exchange differences	–	(147)	(372)	(11,720)	(12,239)
Balance at 31 December 2015	–	2,693	5,882	200,482	209,057
CARRYING AMOUNTS					
Balance at 31 December 2015	1,742	–	–	–	1,742
Balance at 31 December 2014	1,742	477	–	–	2,219

The Directors consider that the club membership has indefinite useful life.

The amount of the capitalised development costs represents the expenditure capitalised for development of certain sports lottery products. The amount is amortised on a straight-line method over the estimated useful life of 6 years.

The amount of the non-competition agreements represents the fair value of the non-competition clause embedded in the employment contracts between top management and SYSTEK LTD and its subsidiary ("Systek Group") upon the acquisition of Systek Group by the Group. The amount is amortised on a straight-line method over the estimated useful life of 5 years.

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

21. JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Unlisted investment, at cost	650	650
Share of post-acquisition losses and other comprehensive income, net of dividends received	(5)	(4)
	645	646

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of Entity	**Form of entity**	**Place of incorporation**	**Principal place of operation**	**Class of shares held**	**Proportion of nominal value of issued capital held by the Group**		**Proportion of voting power held**		**Principal activities**
					2015	**2014**	**2015**	**2014**	
AG Inspired Lottech Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50% (indirect)	50% (indirect)	50% (indirect)	50% (indirect)	Investment holding

The amount due from/to a joint venture is unsecured, interest-free and repayable on demand.

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRS.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2015	2014
	HK$'000	*HK$'000*
Current assets	1,300	1,300
Non-current assets	–	–
Current liabilities	11	8
Non-current liabilities	–	–

The above amounts of assets and liabilities include the following:

	2015	2014
	HK$'000	*HK$'000*
Cash and cash equivalents	–	–
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

	2015	2014
	HK$'000	*HK$'000*
Revenue	–	–
Loss for the year	(2)	(2)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	(2)	(2)
Dividends received from the joint venture during the year	–	–

The above loss for the year include the following:

	2015	2014
	HK$'000	*HK$'000*
Depreciation and amortisation	–	–
Interest income	–	–
Interest expense	–	–
Income tax expense	–	–

Reconciliation of the above summarised financial information to the carrying amount of the investment in a joint venture recognised in the consolidated financial statements:

	2015	2014
	HK$'000	*HK$'000*
Net assets of the joint venture	1,289	1,292
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	645	646

22. AVAILABLE-FOR-SALE INVESTMENT

	2015	2014
	HK$'000	*HK$'000*
Unlisted investment, at cost	–	–

The above unlisted investment represents investment in unlisted equity securities issued by a limited liability company established in the PRC. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

23. DEFERRED TAXATION

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

Deferred tax assets

	Provision for warranties *HK$'000*
Balance at 1 January 2014	4,590
Effect of foreign currency exchange differences	(21)
Credit to profit or loss	1,658
Balance at 31 December 2014 and 1 January 2015	6,227
Effect of foreign currency exchange differences	(354)
Credit to profit or loss	1,627
Balance at 31 December 2015	7,500

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	**Investment properties** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2014	4,399	–	4,399
Effect of foreign currency exchange differences	(30)	16	(14)
Charge to other comprehensive income upon reclassification as investment properties	(4,153)	5,690	1,537
Credit to profit or loss	(216)	–	(216)
Balance at 31 December 2014 and 1 January 2015	–	5,706	5,706
Effect of foreign currency exchange differences	–	(316)	(316)
Credit to profit or loss	–	186	186
Balance at 31 December 2015	–	5,576	5,576

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$144,963,000 (2014: approximately HK$76,254,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$257,176,000 (2014: approximately HK$220,108,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK$31,008,000 (2014: approximately HK$19,506,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$226,167,000 (2014: approximately HK$200,602,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

24. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	29,236	10,712
Finished goods	27,070	14,579
	56,306	25,291

25. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	29,597	31,071

The following is an analysis of trade receivables by age, presented based on the terms of the related contracts or the invoice/delivery date, which approximate the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	25,646	19,135
61 to 90 days	16	6,793
121 to 365 days	3,935	3,116
Over 365 days	–	2,027
	29,597	31,071

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

At 31 December 2015, 100% (2014: 98.20%) of the trade receivables were neither past due nor impaired and were related to a number of independent customers that have a good track record with the Group.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Age of trade receivables that are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Overdue by:		
0 to 30 days	–	516
91 to 120 days	–	43
Total	–	559
Average age (days)	–	22

Movement in the allowance for doubtful debts

	2015	2014
	HK$'000	*HK$'000*
Balance at the beginning of year	–	–
Impairment loss recognised on trade receivables	–	227
Amounts written off during the year as uncollectible	–	(227)
Balance at end of year	–	–

Included in the above are individually impaired trade receivables aged over 365 days with balance of nil (2014: approximately HK$227,000) being business relationship terminated and change of recoverability is low. The Group does not hold any collateral over this balance.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Deposits paid to suppliers	438	350
Prepayments	33,017	30,994
Rental, utility and guarantee deposits	4,804	16,332
Other receivables	47,837	41,880
	86,096	89,556
Less: Deposits and prepayments classified as non-current assets	(10,204)	(20,746)
	75,892	68,810

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

27. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS AND FIXED DEPOSIT HELD AT BANK WITH ORIGINAL MATURITY OVER THREE MONTHS

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest ranging from 0.001% to 3.250% per annum (2014: 0.001% to 3.600% per annum) with an original maturity of three months or less. Fixed bank deposits held at bank with original maturity over three months were withdrawn during the year.

Pledged bank deposits represent deposits pledged with banks to secure letters of guarantee granted to the Group. As at 31 December 2015, the deposit carries effective interest at 3.300% per annum (2014: 3.300%). The pledged bank deposits will be released upon expiry of the relevant letters of guarantee.

As at 31 December 2015, bank balances and cash of approximately HK$184,520,000 (2014: approximately HK$203,299,000) were denominated in RMB which are not freely convertible into other currencies.

28. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	25,174	25,550
31 to 60 days	2,274	–
61 to 90 days	1,707	21
91 to 120 days	178	454
121 to 365 days	6,943	–
Over 365 days	388	57
	36,664	26,082

The credit period is ranging from 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Trade payables are non-interest-bearing.

29. ACCRUALS AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Receipts in advance	9,131	4,148
Accrued charges	15,202	6,994
Other payables	23,617	28,141
	47,950	39,283

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

Included in the Group's other payables is an amount of approximately HK$19,542,000 (2014: approximately HK$17,162,000) due to non-controlling interests of a subsidiary which is unsecured, interest-free and repayable on demand.

30. SECURED BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Secured term loans wholly repayable within one year	21,982	–

The loans are secured by a charge over a letter of guarantee and investment properties with an aggregate carrying amount of approximately HK$52,536,000, bear interest ranging from 3.22% to 4.35% per annum. The amounts are dominated in the functional currencies of the relevant entities.

31. CONTINGENT CONSIDERATION PAYABLES

	2015	2014
	HK$'000	*HK$'000*
First Deferred Consideration by cash	48,819	–
Second Deferred Consideration by the issue of ordinary shares	136,486	–
Bonus Options	161,009	–
2015 Profit Guarantees by cash	14,684	–
2016 Profit Guarantees by cash	13,331	–
2017 Profit Guarantees by cash	15,980	–
	390,309	–
Less: Contingent consideration payables classifies as non-current liabilities	(326,806)	–
	63,503	–

The fair values of the aggregate contingent consideration payables of cash portion of First Deferred Consideration, Second Deferred Consideration, Bonus Options, cash portion of 2015 Profit Guarantees, cash portion of 2016 Profit Guarantees and cash portion of 2017 Profit Guarantees from acquisition of Score Value Group (as defined in Note 39) as at 31 December 2015 are estimated to be approximately HK$390,309,000.

The valuation of cash portion of First Deferred Consideration, 2015 Profit Guarantees, 2016 Profit Guarantees and 2017 Profit Guarantees has been undertaken by discounting the contractual cash flows over the contractual term of the consideration payables at the discount rates ranging from 10.091% to 10.636%, which were appropriate to the riskiness of the consideration payables in cash, with reference to the prevailing market rates, the latest financial information of Shenzhen Subsidiary, the financial performance forecast of Shenzhen Subsidiary, the valuation performed by an independent qualified valuer (the "Independent Valuer"), the legal opinion from the legal advisor and other relevant indicators.

The valuation of the Second Deferred Consideration has been with reference to the published closing price of HK$2.02 per Share as at 31 December 2015, the legal opinion from the legal advisor and other relevant indicators.

The Directors consider it is probable that 166,666,666 Bonus Options would be granted by the Company with reference to opinion from the legal advisor and other relevant indicators and therefore, the fair value of the Bonus Options as at 31 December 2015 is estimated to be approximately HK$161,009,000 by the Independent Valuer. The valuation of the Bonus Options has been undertaken by using the binominal model, of which significant inputs are as follows:

Closing share price at date of grant	HK$2.02
Exercise price	HK$1.80
Expected volatility	68.780%
Risk-free interest rate	0.682%
Dividend yield	Nil

On 17 November 2015, the Approval (as defined in note 39) has not yet been fulfilled but the parties to the Agreement (as defined in Note 39) have mutually agreed to extend the deadline for fulfilment of Approval to 31 March 2016.

32. PROVISION FOR WARRANTIES

	HK$'000
Balance at 1 January 2014	30,495
Additional provision recognised	18,224
Reversal of provision	(2,688)
Amounts utilised during the year	(4,383)
Effect of foreign currency exchange differences	(134)
Balance at 31 December 2014 and 1 January 2015	41,514
Additional provision recognised	14,468
Reversal of provision	(612)
Amounts utilised during the year	(3,037)
Effect of foreign currency exchange differences	(2,331)
Balance at 31 December 2015	50,002

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

33. SHARE CAPITAL

	Number of Shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.002 each at 31 December 2014 and 2015	10,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 January 2014	4,348,823,864	8,698
Exercise of part of share options *(Note (i))*	91,560,000	182
Ordinary shares of HK$0.002 each at 31 December 2014	4,440,383,864	8,880
Exercise of part of share options *(Note (i))*	132,350,981	265
Issue of Shares upon acquisition of subsidiaries *(Note 39)*	33,783,783	68
Ordinary shares of HK$0.002 each at 31 December 2015	4,606,518,628	9,213

Note:

(i) During the year ended 31 December 2015, part of the options for 132,350,981 (2014: 91,560,000) Shares of HK$0.002 each were exercised at exercise prices ranging from HK$0.1006 to HK$1.3100 (2014: HK$0.1006 to HK$0.4890) per Share, resulting in the issue of 132,350,981 (2014: 91,560,000) Shares of HK$0.002 each. The Shares rank pari passu in all respects with other Shares in issue.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	11,903	10,277
In the second to fifth years inclusive	7,277	15,583
	19,180	25,860

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to three years (2014: one to four years) and rentals are fixed over the lease periods. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group as lessor

Property rental income earned during the year was approximately HK$3,099,000 (2014: approximately HK$1,418,000). All of the Group's investment properties are held for rental purposes. All of the properties held have committed tenants for the next one and a half years (2014: two and a half years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015	2014
	HK$'000	*HK$'000*
Within one year	3,232	3,399
In the second to fifth years inclusive	1,885	5,382
	5,117	8,781

35. RETIREMENT BENEFIT PLANS

The Group participates in employee social security plans as required by the regulations in the PRC. The Group also participates in the Mandatory Provident Fund scheme to which all qualified employees of the Group in Hong Kong are entitled. The assets of the retirement benefit schemes are held, separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of social security schemes operated by the relevant local government authorities. The pension plans are funded by payments from employees and by the relevant group companies. The amounts charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable by the Group at the specified rates according to the respective plans. The only obligation of the Group in respect of the retirement benefit schemes is to make the specified contributions.

36. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme prior to 17 November 2014 ("2004 Share Option Scheme")

The 2004 Share Option Scheme was adopted pursuant to a resolution passed on 18 November 2004 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2004 Share Option Scheme). Under the 2004 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for Shares in the Company from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders. The number of Shares in respect of which options may be granted under the 2004 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the Shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of Shares on the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2004 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 18 November 2004 and was expired during the current financial year. Thereafter, no further options would be granted under the 2004 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2004 Share Option Scheme.

Share option scheme on or after 23 December 2014 ("2014 Share Option Scheme")

The 2014 Share Option Scheme was adopted pursuant to a resolution passed on 23 December 2014 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2014 Share Option Scheme). Under the 2014 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for Shares in the Company from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders. The number of Shares in respect of which options may be granted under the 2014 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the Shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of Shares on the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2014 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 23 December 2014.

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group during the years ended 31 December 2015 and 2014:

Option type	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2015
Directors						
2004 Share Option Scheme	125,846,844	–	(50,098,961)	(250,000)	(3,250,000)	72,247,883
2014 Share Option Scheme	–	47,944,800	–	–	–	47,944,800
Eligible employees:						
2004 Share Option Scheme	253,644,738	–	(73,708,059)	(342,500)	(44,582,000)	135,012,179
2014 Share Option Scheme	–	96,419,500	–	–	(1,800,000)	94,619,500
Other eligible participants:						
2004 Share Option Scheme	351,277,844	–	(8,543,961)	–	(271,552,000)	71,181,883
2014 Share Option Scheme	–	281,092,780	–	–	–	281,092,780
Total	730,769,426	425,457,080	(132,350,981)	(592,500)	(321,184,000)	702,099,025
Exercisable at the end of year	53,150,672					42,637,423
Weighted average exercise price	HK$0.9106	HK$1.0378	HK$0.4445	HK$0.7478	HK$1.2329	HK$0.9282

	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors						
2004 Share Option Scheme	132,169,844	22,000,000	(25,323,000)	–	(3,000,000)	125,846,844
2014 Share Option Scheme	–	–	–	–	–	–
Eligible employees:						
2004 Share Option Scheme	235,096,000	93,988,238	(63,137,000)	(1,515,000)	(10,787,500)	253,644,738
2014 Share Option Scheme	–	–	–	–	–	–
Other eligible participants:						
2004 Share Option Scheme	42,575,844	311,802,000	(3,100,000)	–	–	351,277,844
2014 Share Option Scheme	–	–	–	–	–	–
Total	409,841,688	427,790,238	(91,560,000)	(1,515,000)	(13,787,500)	730,769,426
Exercisable at the end of year	33,232,750					53,150,672
Weighted average exercise price	HK$0.3475	HK$1.3018	HK$0.3043	HK$0.2803	HK$0.4066	HK$0.9106

Notes:

(i) The following share options under the 2004 Share Option Scheme were exercised during the year ended 31 December 2015:

For the year ended 31 December 2015

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
17 August 2012	875,000	9 January 2015	0.92	0.90
9 January 2013	2,000,000	9 January 2015	0.92	0.90
21 December 2011	250,000	9 January 2015	0.92	0.90
21 December 2011	375,000	9 January 2015	0.92	0.90
9 January 2013	125,000	9 January 2015	0.92	0.90
9 January 2013	150,000	9 January 2015	0.92	0.90
9 January 2013	75,000	23 January 2015	0.90	0.90
9 January 2013	187,500	23 January 2015	0.90	0.90
9 January 2013	200,000	6 February 2015	0.82	0.84
9 January 2013	9,500,000	6 February 2015	0.82	0.84
9 January 2013	1,500,000	13 February 2015	0.72	0.73
21 December 2011	62,500	13 February 2015	0.72	0.73
9 January 2013	75,000	13 February 2015	0.72	0.73
9 January 2013	200,000	13 February 2015	0.72	0.73
9 January 2013	2,000,000	13 February 2015	0.72	0.73
21 December 2011	250,000	27 February 2015	0.75	0.72
9 January 2013	62,500	27 February 2015	0.75	0.72
9 January 2013	125,000	13 March 2015	0.63	0.67
21 December 2011	375,000	1 April 2015	0.90	0.85

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 January 2013	125,000	1 April 2015	0.90	0.85
21 December 2011	250,000	1 April 2015	0.90	0.85
9 January 2013	250,000	1 April 2015	0.90	0.85
30 March 2011	1,300,000	8 April 2015	0.96	0.93
21 December 2011	125,000	24 April 2015	1.00	0.99
9 January 2013	75,000	24 April 2015	1.00	0.99
21 December 2011	200,000	24 April 2015	1.00	0.99
21 December 2011	750,000	24 April 2015	1.00	0.99
30 March 2011	1,050,000	24 April 2015	1.00	0.99
21 December 2011	500,000	4 May 2015	0.92	0.89
9 January 2013	250,000	4 May 2015	0.92	0.89
21 December 2011	500,000	4 May 2015	0.92	0.89
30 March 2011	500,000	12 May 2015	0.79	0.81
23 May 2013	1,000,000	12 May 2015	0.79	0.81
23 May 2013	5,000,000	19 May 2015	0.80	0.84
23 May 2013	10,643,961	21 May 2015	0.79	0.80
23 May 2013	1,543,961	22 May 2015	0.80	0.79
21 December 2011	125,000	29 June 2015	1.11	1.14
9 January 2013	62,500	29 June 2015	1.11	1.14
6 July 2010	125,000	29 June 2015	1.11	1.14
17 August 2012	32,500	29 June 2015	1.11	1.14
21 December 2011	1,250,000	29 June 2015	1.11	1.14
9 January 2013	9,500,000	14 July 2015	1.14	1.14
17 August 2012	77,500	14 July 2015	1.14	1.14
17 August 2012	875,000	7 August 2015	1.01	1.01
17 August 2012	875,000	7 August 2015	1.01	1.01
9 January 2013	2,000,000	7 August 2015	1.01	1.01
17 August 2012	15,000	14 August 2015	1.09	1.03
17 August 2012	125,000	17 August 2015	1.17	1.09
17 August 2012	2,500,000	17 August 2015	1.17	1.09
9 January 2013	375,000	31 August 2015	1.26	1.25
9 January 2013	300,000	31 August 2015	1.26	1.25
9 January 2013	375,000	31 August 2015	1.26	1.25
17 August 2012	32,500	31 August 2015	1.26	1.25
21 January 2014	60,000	4 September 2015	1.39	1.34
17 August 2012	3,750,000	4 September 2015	1.39	1.34
9 January 2013	375,000	4 September 2015	1.39	1.34
17 August 2012	875,000	4 September 2015	1.39	1.34
9 January 2013	250,000	4 September 2015	1.39	1.34
21 January 2014	40,000	11 September 2015	1.55	1.47
21 December 2011	5,316,000	11 September 2015	1.55	1.47
17 August 2012	875,000	11 September 2015	1.55	1.47
17 August 2012	3,750,000	11 September 2015	1.55	1.47
23 May 2013	1,000,000	11 September 2015	1.55	1.47
21 January 2014	62,500	25 September 2015	1.79	1.79
21 January 2014	250,000	25 September 2015	1.79	1.79
21 December 2011	1,250,000	25 September 2015	1.79	1.79
17 August 2012	32,500	25 September 2015	1.79	1.79
21 December 2011	500,000	25 September 2015	1.79	1.79
9 January 2013	250,000	25 September 2015	1.79	1.79
17 August 2012	77,500	25 September 2015	1.79	1.79
21 January 2014	100,000	26 October 2015	1.42	1.49

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 January 2013	50,000	26 October 2015	1.42	1.49
21 January 2014	125,000	26 October 2015	1.42	1.49
21 December 2011	5,316,000	26 October 2015	1.42	1.49
9 January 2013	2,000,000	26 October 2015	1.42	1.49
17 August 2012	875,000	28 October 2015	1.57	1.45
21 January 2014	500,000	28 October 2015	1.57	1.45
21 December 2011	250,000	26 November 2015	1.70	1.70
9 January 2013	125,000	26 November 2015	1.70	1.70
21 January 2014	125,000	26 November 2015	1.70	1.70
9 January 2013	125,000	26 November 2015	1.70	1.70
21 January 2014	375,000	26 November 2015	1.70	1.70
21 December 2011	125,000	26 November 2015	1.70	1.70
9 January 2013	62,500	26 November 2015	1.70	1.70
21 December 2011	125,000	26 November 2015	1.70	1.70
9 January 2013	125,000	26 November 2015	1.70	1.70
21 January 2014	125,000	26 November 2015	1.70	1.70
21 December 2011	5,316,000	26 November 2015	1.70	1.70
9 January 2013	2,000,000	26 November 2015	1.70	1.70
21 December 2011	250,000	18 December 2015	1.73	1.61
21 December 2011	250,000	18 December 2015	1.73	1.61
9 January 2013	125,000	18 December 2015	1.73	1.61
21 December 2011	5,316,000	18 December 2015	1.73	1.61
21 January 2014	1,250,000	18 December 2015	1.73	1.61
21 December 2011	375,000	18 December 2015	1.73	1.61
21 January 2014	150,000	18 December 2015	1.73	1.61
21 December 2011	218,750	18 December 2015	1.73	1.61
21 December 2011	5,316,000	21 December 2015	1.95	1.73
21 December 2011	250,000	21 December 2015	1.95	1.73
21 January 2014	25,000	21 December 2015	1.95	1.73
21 January 2014	1,250,000	21 December 2015	1.95	1.73
21 December 2011	125,000	23 December 2015	1.84	1.94
21 December 2011	375,000	23 December 2015	1.84	1.94
17 August 2012	15,000	23 December 2015	1.84	1.94
21 January 2014	125,000	23 December 2015	1.84	1.94
9 January 2013	300,000	23 December 2015	1.84	1.94
21 December 2011	218,750	23 December 2015	1.84	1.94
21 December 2011	5,316,000	24 December 2015	1.90	1.84
21 December 2011	1,250,000	24 December 2015	1.90	1.84
9 January 2013	125,000	24 December 2015	1.90	1.84
21 December 2011	500,000	29 December 2015	1.96	2.01
21 January 2014	62,500	29 December 2015	1.96	2.01
21 January 2014	62,500	29 December 2015	1.96	2.01
21 January 2014	62,500	29 December 2015	1.96	2.01
21 December 2011	200,000	29 December 2015	1.96	2.01
2 January 2014	10,872,059	29 December 2015	1.96	2.01
21 December 2011	250,000	31 December 2015	2.02	2.00
21 January 2014	62,500	31 December 2015	2.02	2.00
	132,350,981			

(ii) The following share options under the 2004 Share Option Scheme were exercised during the year ended 31 December 2014:

For the year ended 31 December 2014

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
21 December 2011	750,000	14 January 2014	1.08	1.10
9 January 2013	10,025,000	14 January 2014	1.08	1.10
21 December 2011	375,000	22 January 2014	1.32	1.31
17 August 2012	62,500	22 January 2014	1.32	1.31
9 January 2013	2,300,000	22 January 2014	1.32	1.31
30 March 2011	1,050,000	27 January 2014	1.15	1.19
21 December 2011	5,316,000	18 February 2014	1.42	1.42
9 January 2013	2,150,000	18 February 2014	1.42	1.42
21 December 2011	5,816,000	10 March 2014	2.13	2.18
17 August 2012	875,000	10 March 2014	2.13	2.18
9 January 2013	2,487,500	10 March 2014	2.13	2.18
21 December 2011	250,000	1 April 2014	1.94	1.76
9 January 2013	75,000	1 April 2014	1.94	1.76
30 March 2011	1,550,000	9 April 2014	1.84	1.80
21 December 2011	5,941,000	9 April 2014	1.84	1.80
9 January 2013	2,387,500	9 April 2014	1.84	1.80
21 December 2011	250,000	30 April 2014	1.87	1.76
9 January 2013	125,000	30 April 2014	1.87	1.76
9 January 2013	250,000	9 May 2014	1.47	1.55
9 January 2013	150,000	16 May 2014	1.54	1.60
6 July 2010	125,000	23 May 2014	1.61	1.61
17 August 2012	32,500	23 May 2014	1.61	1.61
9 January 2013	125,000	30 May 2014	1.59	1.52
9 January 2013	62,500	13 June 2014	1.51	1.55
21 December 2011	200,000	20 June 2014	1.44	1.40
30 March 2011	1,300,000	4 July 2014	1.36	1.36
9 January 2013	2,000,000	4 July 2014	1.36	1.36
6 July 2010	875,000	18 July 2014	1.51	1.51
9 January 2013	1,500,000	8 August 2014	1.43	1.45
17 August 2012	13,499,750	18 August 2014	1.32	1.34
17 August 2012	4,625,000	5 September 2014	1.21	1.11
20 June 2013	375,000	5 September 2014	1.21	1.11
17 August 2012	32,500	17 September 2014	1.34	1.32
23 May 2013	1,000,000	17 September 2014	1.34	1.32
9 January 2013	50,000	17 October 2014	1.33	1.32
23 May 2013	1,500,000	17 October 2014	1.33	1.32
17 August 2012	2,500,000	24 October 2014	1.30	1.29
9 January 2013	9,500,000	24 October 2014	1.30	1.29
21 December 2011	125,000	14 November 2014	1.14	1.14
9 January 2013	62,500	14 November 2014	1.14	1.14
23 May 2013	600,000	14 November 2014	1.14	1.14
21 December 2011	2,968,750	12 December 2014	0.89	0.90
9 January 2013	250,000	12 December 2014	0.89	0.90
21 December 2011	5,816,000	24 December 2014	0.96	0.95
9 January 2013	250,000	24 December 2014	0.96	0.95
	91,560,000			

At 31 December 2015, the number of Shares in respect of which options had been granted and remained outstanding under the 2014 Share Option Scheme was approximately 423,657,000 (2014: nil), under the 2004 Share Option Scheme was approximately 278,442,000 (2014: approximately 730,769,000), totally representing approximately 15.2% (2014: approximately 16.5%) of the Company's issued share capital as at that date.

The fair values of options granted were calculated using the binominal model, details of which are as follows:

For the year ended 31 December 2015

	Date of grant		
	7 July 2015	**1 June 2015**	**20 January 2015**
Number of Shares to be issued upon exercise of options granted	300,312,280	72,944,800	52,200,000
Estimated fair values of options granted (rounded to HK$'000)	HK$143,454	HK$29,474	HK$22,915
Significant inputs into the model:			
Closing share price at date of grant	HK$1.0200	HK$0.8400	HK$0.9200
Exercise price	HK$1.1020	HK$0.8580	HK$0.9200
Expected volatility	66.39%–75.55%	66.59%–73.87%	65.85%–72.71%
Expected life of options	2–5 years	2–5 years	2–5 years
Risk–free interest rate	0.401%–1.156%	0.444%–1.104%	0.344%–0.971%
Dividend yield	Nil	Nil	Nil

For the year ended 31 December 2014

	Date of grant		
	19 August 2014	**21 January 2014**	**2 January 2014**
Number of Shares to be issued upon exercise of options granted	25,000,000	359,302,000	43,488,238
Estimated fair values of options granted (rounded to HK$'000)	HK$20,340	HK$236,383	HK$26,547
Significant inputs into the model:			
Closing share price at date of grant	HK$1.3300	HK$1.3100	HK$1.1900
Exercise price	HK$1.3780	HK$1.3100	HK$1.1900
Expected volatility	70.18%–88.26%	71.81%–78.02%	70.69%–86.03%
Expected life of options	2–9 years	2–5 years	2–5 years
Risk-free interest rate	0.311%–1.766%	0.334%–1.449%	0.338%–1.449%
Dividend yield	Nil	Nil	Nil

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

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

On 22 June 2015, certain options previously granted to eligible employee were forfeited. On 7 July 2015, the Company granted options carrying rights to subscribe a total of 19,219,500 Shares under the Share Option Scheme to eligible employee and other eligible participants, options carrying rights to subscribe 19,219,500 Shares were identified by the Company as replacement equity instruments for the cancelled equity instruments. The decreased value arising from the aforementioned cancellation and replacement was approximately HK$13,220,000, which represented the difference between the fair value of the replacement options and the fair value of the cancelled options at the date of the replacement options were granted. Then fair values of the replacement options and cancelled options were estimated using the binominal method. The following table lists the inputs to the model used:

	Number of Shares in respect of the cancelled options	**Number of Shares in respect of the replacement options**
Number of Shares to be issued upon exercise of options granted	19,219,500	19,219,500
Estimated fair values of options granted (rounded to HK$'000)	HK$22,486	HK$9,266
Significant inputs into the model:		
Closing share price at date of the replacement options were granted	HK$1.2700	HK$1.0200
Exercise price	HK$0.1006	HK$1.1020
Expected volatility	65.10%–68.49%	66.39%–71.74%
Expected life of options	1.15–2.15 years	2–5 years
Risk-free interest rate	0.158%–0.464%	0.401%–1.156%
Dividend	Nil	Nil

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

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

37. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in the consolidated statement of financial position and respective notes. Save as those disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

Compensation of key management personnel

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

	2015	**2014**
	HK$'000	*HK$'000*
Short-term employee benefits	10,890	9,580
Share-based payments	11,048	11,969
Post-employment benefits	161	113
	22,099	21,662

38. PRINCIPLE SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 and 2014 are set out as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2015	2014	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong	PRC	Ordinary shares of HK$2,622	51% (indirect)	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$11.8 million	51% (indirect)	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技(天津)有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Paid-up capital of RMB10 million	51% (indirect)	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
Maxprofit Management Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares of HK$600,000	100% (indirect)	100% (indirect)	Provision of management services for the Group
北京思德泰科科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$21 million	100% (indirect)	100% (indirect)	Research and development of sports lottery information technology
世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$150 million	100% (indirect)	100% (indirect)	Provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories)
SYSTEK LTD	Incorporated	BVI	PRC	1 ordinary share of US$1	100% (indirect)	100% (indirect)	Investment holding
SHINING CHINA INC	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	100% (indirect)	Investment holding
Exequs Co. Ltd.	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	100% (indirect)	Investment holding
Fortune Happy Investment Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares of HK$10,000	100% (indirect)	100% (indirect)	Investment holding

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2015	2014	Principal activities
北京世紀德彩科技有限公司 (Beijing Century Decai Technology Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB30 million	100% (indirect)	100% (indirect)	Investment holding
GOT	Domestic enterprise	PRC	PRC	Registered capital of RMB100 million	100% (indirect)	100% (indirect)	Research, development and production of sports lottery terminals and systems
深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*) *(Note)*	Domestic enterprise	PRC	PRC	Paid-up capital of RMB30 million	100% (indirect)	100% (indirect)	Provision for lottery organisations with comprehensive phone and mobile betting solutions
Score Value Limited	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	N/A	Investment holding
Sincere Honor Holdings Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares of HK$10,000	100% (indirect)	N/A	Investment holding
Shenzhen Subsidiary	Domestic enterprise	PRC	PRC	Paid-up capital of RMB5 million	100% (indirect)	N/A	Research and development, quality assurance and sale of handheld lottery sales equipment, provision of after sales maintenance services
北京名影科漫科技有限公司 (Beijing MTC Creative Mind Tech Co., Ltd.*)	Domestic enterprise	PRC	PRC	Paid-up capital of RMB10 million	100% (indirect)	N/A	Research and development, quality assurance and sale of handheld lottery sales equipment, provision of after sales maintenance services

* *For identification purposes only*

Note:

Shenzhen Silvercreek Digital Technology Co., Ltd. is a limited liability company established in the PRC to be operated for a period of 15 years up to 2016. The equity interest is held by individual nominees on behalf of the Group.

The above table lists out the principal subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2015	2014
Investment holding	Hong Kong	21	21
Investment holding	PRC	3	2
Provision of sports lottery management and marketing consultancy services	PRC	1	1
		25	24

None of the subsidiaries had issued any debt securities during the year and at the end of the reporting period.

The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2015 and 2014.

39. ACQUISITIONS OF SUBSIDIARIES

Acquisition of Score Value Limited and its subsidiaries (collectively, the "Score Value Group")

On 8 January 2015, the Group completed the acquisition of a 100% equity interest in Score Value. The Score Value Group are principally engaged in the research and development, quality assurance and sale of handheld lottery sales equipment, as well as the provision of after sale maintenance services of such devices; and in the design of lottery games and system development in the PRC. The acquisition was made with the aims to expand the Group's existing sale of operation and enlarge the Group's market presence in the PRC lottery industry.

Pursuant to the acquisition agreement dated 17 November 2014 (the "Agreement") and the supplemental agreement dated 8 January 2015 (the "Supplemental Agreement"), the maximum nominal consideration for the acquisition is HK$489,500,000 which will be satisfied by:

Initial Consideration ("Initial Consideration")

(i) as to HK$37,000,000 in cash on completion date (the "First Tranche Initial Consideration");

(ii) as to HK$50,000,000 in cash on or before 15 January 2015 (the "Second Tranche Initial Consideration");

(iii) as to HK$50,000,000 by the Company allotting and issuing 33,783,783 new ordinary shares on or before 15 January 2015 (the "Third Tranche Initial Consideration"); and

(iv) as to HK$52,500,000 in cash on or before 30 June 2015 (the "Fourth Tranche Initial Consideration"). Pursuant to the Supplemental Agreement, in the event that the vendors of Score Value fail to satisfy their undertaking to collect outstanding receivables of Shenzhen Subsidiary, a subsidiary of Score Value, totaling RMB24,300,000 (equivalent to HK$30,375,000 at the exchange rate of RMB1 to HK$1.25 as agreed in the Supplemental Agreement) (the "Outstanding Receivables") on or before 1 April 2015, the Group would deduct the amount of the Outstanding Receivables which remains outstanding as of 1 April 2015 from the Fourth Tranche Initial Consideration.

Deferred consideration ("Deferred Consideration") (to be paid in the following sequence)

(i) as to HK$50,000,000 (the "First Deferred Consideration") by the Company allotting and issuing 33,783,784 new ordinary shares within fifteen business days after the granting of the approval of the lottery game by the relevant government authority of the PRC (the "Approval") (on the condition that the Approval should have been granted on or before the first anniversary date of the Agreements);

(ii) as to HK$50,000,000 (the "Second Deferred Consideration") in cash within fifteen business days after the granting of the Approval;

(iii) as to HK$100,000,000 (the "Third Deferred Consideration") by the Company allotting and issuing 67,567,567 new ordinary shares within thirty business days after the official commencement date of sales of the lottery game through mobile smart phone channel in the first trial province in the PRC in accordance with the Approval;

(iv) in the event that the net profit after taxation of Shenzhen Subsidiary for the financial year ended 31 December 2015 is not less than RMB20,000,000 (equivalent to approximately HK$25,200,000) (the "2015 Profit Guarantees"), the Group shall pay to the vendors a further amount of HK$30,000,000 which shall be satisfied as to HK$15,000,000 in cash and as to HK$15,000,000 by the Company allotting and issuing 10,135,135 new ordinary shares to the vendors within fifteen business days after the issue of the audit report of Shenzhen Subsidiary for the year ended 31 December 2015;

(v) in the event that the aggregate net profit after taxation of Shenzhen Subsidiary for the two financial years ending 31 December 2015 and 2016 is not less than RMB40,000,000 (equivalent to approximately HK$50,400,000) (the "2016 Profit Guarantees"), the Group shall pay to the vendors a further amount of HK$30,000,000 which shall be satisfied as to HK$15,000,000 in cash and as to HK$15,000,000 by the Company allotting and issuing 10,135,135 new ordinary shares to the vendors within fifteen business days after the issue of the audit report of Shenzhen Subsidiary for the year ending 31 December 2016; and

(vi) in the event that the aggregate net profit after taxation of Shenzhen Subsidiary for the three financial years ending 31 December 2015, 2016 and 2017 is not less than RMB60,000,000 (equivalent to approximately HK$75,600,000) (the "2017 Profit Guarantees"), the Group shall pay to the vendors a further amount of HK$40,000,000 which shall be satisfied as to HK$20,000,000 in cash and as to HK$20,000,000 by the Company allotting and issuing 13,513,514 new ordinary shares to the vendors within fifteen Business Days after the issue of the audit report of Shenzhen Subsidiary for the year ending 31 December 2017.

Bonus options

Within two years from the date of the Agreement and provided that the Approval has been granted, the Company shall grant to the vendors the bonus options, entitling them to subscribe for up to 166,666,666 bonus option shares (the "Bonus Options"), subject to the fulfilment of the following milestone conditions:

(i) in the event that the Score Value Group has launched the sales of the Lottery Game through mobile smart phone channel in five provinces or more in the PRC, the Company shall grant to the vendors the Bonus Options entitling them to subscribe for up to 55,555,555 Bonus Option Shares at the subscription price of HK$1.80 per Bonus Option Share within an exercise period of two years from the date of such grant; and

(ii) in the event that the Score Value Group has launched the sales of the Lottery Game through mobile smart phone channel in ten provinces or more (inclusive of those provinces mentioned in (i) above) in the PRC, the Company shall grant to the vendors the Bonus Options entitling them to subscribe for up to 111,111,111 Bonus Option Shares at the subscription price of HK$1.80 per Bonus Option Share within an exercise period of two years from the date of such grant.

Considerations transferred and to be transferred:

		HK$'000
Initial Consideration		
•	First Tranche Initial Consideration by cash	37,000
•	Second Tranche Initial Consideration by cash	50,000
•	Third Tranche Initial Consideration by the issue of 33,783,783 ordinary shares of the Company with par value of HK$0.002 with reference to the published closing price of HK$0.90 per Shares	30,405
•	Fourth Tranche Initial Consideration by cash	22,125
Deferred Consideration		
•	First Deferred Consideration by:	
	– cash	45,934
	– by the issue of 33,783,784 ordinary shares of the Company with par value of HK$0.002	30,405
•	Second Deferred Consideration by the issue of 67,567,567 ordinary shares of the Company with par value of HK$0.002	60,811
•	2015 Profit Guarantees by:	
	– cash	13,406
	– by the issue of 10,135,135 ordinary shares of the Company with par value of HK$0.002	9,122
•	2016 Profit Guarantees by:	
	– cash	12,115
	– by the issue of 10,135,135 ordinary shares of the Company with par value of HK$0.002	9,122
•	2017 Profit Guarantees by:	
	– cash	14,508
	– by the issue of 13,513,514 ordinary shares of the Company with par value of HK$0.002	12,162
•	Bonus Options	52,133
		399,248

At the date of completion, the Directors consider it is probable that the Outstanding Receivables would not be collected on or before 1 April 2015 and the total amount of the Outstanding Receivables would be deducted from the Fourth Tranche Initial Consideration.

The fair values of the Deferred Consideration (included First Deferred Consideration, Second Deferred Consideration, 2015 Profit Guarantees, 2016 Profit Guarantees, 2017 Profit Guarantees and Bonus Options) as at 8 January 2015 are estimated to be approximately HK$259,718,000.

The valuation of the cash portion of First Deferred Consideration, 2015 Profit Guarantees, 2016 Profit Guarantees and 2017 Profit Guarantees has been undertaken by discounting the contractual cash flows over the contractual term of the consideration payables at the discount rates ranging from 9.611% to 10.560%, which were appropriate to the riskiness of the consideration payables in cash, with reference to the prevailing market rates, the latest financial information of Shenzhen Subsidiary, the financial performance forecast of Shenzhen Subsidiary, the valuation performed by the Independent Valuer, the legal opinion from the legal advisor and other relevant indicators. The Directors consider it is probable that these contingent considerations would be settled in full and therefore, contingent consideration of approximately HK$85,963,000 is recognised as at 8 January 2015.

The valuation of the Second Deferred Consideration, share portion 2015 of Profit Guarantees, 2016 Profit Guarantees and 2017 Profit Guarantees has been with reference to the published closing price, the latest financial information of Shenzhen Subsidiary, the financial performance forecast of Shenzhen Subsidiary, the legal opinion from the legal advisor and other relevant indicators. The Directors consider it is probable that full allotment of the new ordinary shares by the Company would be required and therefore, contingent consideration of approximately HK$60,811,000 (being 100,000,000 shares valued at HK$0.90 each) is recognised as at 8 January 2015.

The Directors consider it is probable that 166,666,666 Bonus Options would be granted by the Company with reference to the valuation performed by the Independent Valuer, the legal opinion from the legal advisor and other relevant indicators and therefore, contingent consideration of approximately HK$52,133,000 is recognised as at 8 January 2015. The valuation of the Bonus Options has been undertaken by using the binominal model, of which significant inputs are as follows:

Closing share price at date of grant	HK$0.90
Exercise price	HK$1.80
Expected volatility	69.75%
Risk-free interest rate	1.131%
Dividend yield	Nil

Acquisition-related costs amounting to approximately HK$1,037,000 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Property, plant and equipment	1,752
Current assets	
Inventories	30,777
Trade receivables	25
Other receivables, deposits and prepayments	1,857
Bank balances and cash	53,368
Current liabilities	
Trade payables	(24,671)
Accruals and other payables	(32,294)
Current tax liabilities	(1,069)
Net assets	29,745

Goodwill arising on acquisition:

	HK$'000
Considerations transferred and to be transferred	399,248
Less: fair value of net identifiable assets acquired	(29,745)
Goodwill arising on acquisition	369,503

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

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow arising on acquisition:

	HK$'000
Considerations paid in cash	109,125
Less: cash and cash equivalents acquired	(53,368)
	55,757

Included in the loss for the year is approximately HK$17,365,000 of profit attributable to the additional business generated by Score Value Group. Revenue for the year includes approximately HK$82,225,000 generated from Score Value Group.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been approximately HK$301,630,000, and loss for the year of the Group would have been approximately HK$283,438,000. The pro formal information is for illustrative purpose only and is not necessarily an indication of results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

40. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2014: nil).

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	**2014**
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	–	–
Current assets		
Amounts due from subsidiaries	1,422,210	1,116,309
Deposits and prepayments	311	393
Amount due from a joint venture	8	8
Bank balances and cash	41,856	109,487
	1,464,385	1,226,197
Current liabilities		
Accruals and other payables	4,362	4,435
Amounts due to subsidiaries	38	38
Secured bank borrowings	11,640	–
Contingent consideration payables	63,503	–
	79,543	4,473
Net current assets	1,384,842	1,221,724
Non-current liabilities		
Contingent consideration payables	326,806	–
Net assets	1,058,036	1,221,724
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	9,213	8,880
Reserves	1,048,823	1,212,844
Total equity	1,058,036	1,221,724

The financial statements were approved and authorised for issue by the Board on 18 March 2016 and are signed on its behalf by:

Sun Ho	**Cheng Guoming**
Director	*Director*

The Company	Share premium HK$'000	Share options reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2014	1,390,983	66,696	47,191	–	(291,446)	1,213,424
Loss for the year	–	–	–	–	(164,540)	(164,540)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(164,540)	(164,540)
Recognition of equity-settled share-based payments	–	136,279	–	–	–	136,279
Lapse of share options	–	(407)	–	–	407	–
Shares issued on exercise of part of share options	37,105	(9,424)	–	–	–	27,681
Balance at 31 December 2014 and1 January 2015	1,428,088	193,144	47,191	–	(455,579)	1,212,844
Loss for the year	–	–	–	–	(348,922)	(348,922)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(348,922)	(348,922)
Recognition of equity-settled share-based payments	–	35,192	–	–	–	35,192
Lapse of share options	–	(36,176)	–	–	36,176	–
Issue of ordinary shares arising from acquisition	30,337	–	–	–	–	30,337
Contingent consideration-shares arising from acquisition	–	–	–	60,811	–	60,811
Shares issued on exercise of part of share options	82,172	(23,611)	–	–	–	58,561
Balance at 31 December 2015	1,540,597	168,549	47,191	60,811	(768,325)	1,048,823

42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 4 March 2016, the Company had entered into a subscription agreement under which Ali Fortune Investment Holding Limited ("Ali Fortune") (a company indirectly owned as to 60% by Alibaba Group Holding Limited ("Alibaba") and as to 40% by Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("Ant Financial")) will subscribe for HK$2,388,000,000 of new ordinary shares of the Company and convertible bonds issued by the Company. Upon completion of the transaction, the Company will become the exclusive lottery business platform of Alibaba and Ant Financial and Ali Fortune will become the Company's largest Shareholder.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2016

		Three months ended 31 March	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
Revenue	*2*	19,452	48,530
Cost of sales and services		(12,337)	(33,669)
Gross profit		7,115	14,861
Investment and other income		1,178	1,183
Selling and administrative expenses		(24,777)	(31,269)
Loss from business operations		(16,484)	(15,225)
Share-based payments		(27,059)	(22,268)
Net foreign exchange loss		(2)	(9)
Amortisation of other intangible assets		–	(119)
Gain from changes in fair value of contingent consideration payables		30,449	–
Finance costs		(373)	–
Loss before tax		(13,469)	(37,621)
Income tax expense	*3*	(938)	(365)
Loss for the period		(14,407)	(37,986)
Loss attributable to:			
Owners of the Company		(13,810)	(37,272)
Non-controlling interests		(597)	(714)
		(14,407)	(37,986)
Loss per Share			
Basic and diluted	*4*	HK0.293 cent	HK0.832 cent

	Three months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
Loss for the period	(14,407)	(37,986)
Other comprehensive income, net of income tax		
Translation differences on translating foreign operations	14,553	(7,732)
Total comprehensive income for the period	146	(45,718)
Total comprehensive income attributable to:		
Owners of the Company	674	(45,011)
Non-controlling interests	(528)	(707)
	146	(45,718)

Notes:

1. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The unaudited consolidated financial statements have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, and Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated financial statements have not been audited by the Company's auditors, but have been reviewed and commented on by the Company's audit committee. The principal accounting policies and methods of computation used in preparing these results are consistent with those used in preparing the Group's audited financial statements for the year ended 31 December 2015.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the "new and revised HKFRS"). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

2. **REVENUE**

Revenue represents the amounts received and receivable from lottery games and systems, hardware, distribution and ancillary services in the PRC during the Three-Month Period.

3. **INCOME TAX EXPENSE**

Income tax expense for the Three-Month Period represents PRC Enterprise Income Tax.

4. **LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK$13,810,000 (2015: approximately HK$37,272,000) and the weighted average number of approximately 4,710,439,000 Shares (2015: approximately 4,480,476,000 Shares) in issue during the period.

The computation of the diluted loss per share does not assume the exercise of the Company's share options as the exercise would decrease the loss per share for both periods.

5. **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2015: nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015	8,881	1,428,088	193,144	15,261	192,982	47,191	14,402	–	(681,109)	1,218,840	3,067	1,221,907
Loss for the period	–	–	–	–	–	–	–	–	(37,272)	(37,272)	(714)	(37,986)
Other comprehensive income for the period	–	–	–	–	(7,739)	–	–	–	–	(7,739)	7	(7,732)
Total comprehensive income for the period	–	–	–	–	(7,739)	–	–	–	(37,272)	(45,011)	(707)	(45,718)
Recognition of equity-settled share-based payments	–	–	24,150	–	–	–	–	–	–	24,150	–	24,150
Shares issued on exercise of part of share options	35	9,635	(2,425)	–	–	–	–	–	–	7,245	–	7,245
Issue of ordinary shares arising from acquisition	68	30,337	–	–	–	–	–	–	–	30,405	–	30,405
Lapse of share options	–	–	(3,267)	–	–	–	–	–	1,386	(1,881)	–	(1,881)
Contingent consideration-shares arising from acquisition	–	–	–	–	–	–	–	60,810	–	60,810	–	60,810
Balance at 31 March 2015	**8,984**	**1,468,060**	**211,602**	**15,261**	**185,243**	**47,191**	**14,402**	**60,810**	**(716,995)**	**1,294,558**	**2,360**	**1,296,918**

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2016	9,213	1,540,597	168,549	18,189	128,335	47,191	14,402	60,811	(928,082)	1,059,205	(682)	1,058,523
Loss for the period	–	–	–	–	–	–	–	–	(13,810)	(13,810)	(597)	(14,407)
Other comprehensive income for the period	–	–	–	–	14,484	–	–	–	–	14,484	69	14,553
Total comprehensive income for the period	–	–	–	–	14,484	–	–	–	(13,810)	674	(528)	146
Recognition of equity-settled share-based payments	–	–	27,059	–	–	–	–	–	–	27,059	–	27,059
Shares issued on exercise of part of share options	589	205,091	(63,058)	–	–	–	–	–	–	142,622	–	142,622
Lapse of share options	–	–	(2,223)	–	–	–	–	–	2,223	–	–	–
Balance at 31 March 2016	**9,802**	**1,745,688**	**130,327**	**18,189**	**142,819**	**47,191**	**14,402**	**60,811**	**(939,669)**	**1,229,560**	**(1,210)**	**1,228,350**

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had borrowings of approximately HK$47.8 million outstanding. Bank deposits of RMB10 million (equivalent to approximately HK$11.9 million) was held in a designated bank to secure bank borrowings of approximately HK$11.6 million. Property owned by a subsidiary of the Company in the PRC was pledged with a PRC bank to secure bank borrowing of approximately RMB30.0 million (equivalent to approximately HK$35.6 million).

Contingent liabilities

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had no significant contingent liabilities.

Capital and other commitments

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had no capital commitments. As at the close of business on 30 April 2016, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had operating lease commitments amounting to approximately HK$21.6 million.

Disclaimers

Save as disclosed above, as at the close of business on 30 April 2016, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group did not have any other outstanding bank borrowings, bank overdrafts or loans or other similar indebtedness, mortgages, charges or any other borrowings, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no other material changes in the indebtedness, commitments or contingent liabilities of the Group since the Latest Practicable Date.

5. MATERIAL CHANGE

“Save for:

(i) the financial performance and business updates as disclosed in the first quarterly results of the Company for the period ended 31 March 2016, in particular:

(a) the decrease in the Group's revenue of approximately 59.9% for the three months period ended 31 March 2016 as compared with 2015;

(b) the continued loss-making from the ordinary business of the Group in 2016;

(c) the increase of the gross profit margin from approximately 30.6% for the three months period ended 31 March 2015 to approximately 36.6% for the period ended 31 March 2016;

(d) the gain from changes in fair value of the contingent consideration payables of approximately HK$30.4 million in relation to the Score Value Transaction;

(e) the decrease of the selling and administrative expenses of approximately 20.8% for the three months period ended 31 March 2016 as compared with 2015;

(f) the increase of share-based payments of approximately 21.5% for the three months period ended 31 March 2016 as compared with 2015;

(ii) the subscription for the Subscription Shares and the Convertible Bonds as disclosed in the Announcement;

(iii) the issue of 212,879,224 Shares pursuant to exercise of the Rainwood Options as stated in the Company's announcement dated 16 March 2016;

(iv) the issue of 2,550,000 Shares pursuant to exercise of the Consultant Options in part, as stated in the Company's announcement dated 23 March 2016; and

(v) the issue of 10,135,135 Shares pursuant to the Score Value Transaction as stated in the Company's announcement dated 10 May 2016;

the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

Set out below are the biographical and other details of the candidates nominated by the Subscriber for appointment as Directors and approval by the Independent Shareholders at the SGM.

EXECUTIVE DIRECTOR

Mr. ZHOU Haijing

Mr. Zhou, aged 40, joined Alibaba Holding in May 2008. He currently serves as a finance director at the financial planning and analysis department of Alibaba Group and responsible for budgeting, forecasting and financial analysis for Alibaba Group. Mr. Zhou has extensive financial knowledge and deep understanding of Alibaba Group's businesses including the lottery business. He provides assistance to the senior management and the chief financial officer of Alibaba Group in data and financial analysis during the decision making process. From 2001 to 2008, Mr. Zhou worked for PricewaterhouseCoopers as audit manager and was as a member of each of Certified General Accountants Association of Canada and the Chinese Institute of Certified Public Accountants. He holds a bachelor degree from Tsinghua University School of Economics and Management and a master degree from Sichuan University.

It is proposed that Mr. Zhou will be appointed as an executive Director and the chief financial officer of the Company. Mr. Zhou has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The director's fee of Mr. Zhou as an executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for executive directors. As at the Latest Practicable Date, Mr. Zhou has no interest in the Shares within the meaning of Part XV of the SFO. Mr. Zhou has not held any directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Zhou confirmed that there is no other information to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Qin

Mr. Zhang, aged 42, joined Alibaba Group in January 2006. He is currently the Vice President of Alibaba Group and responsible for business operations of Taobao Marketplace including Taobao Lottery. Before the current position, he led Yahoo! Search in China, Alibaba B2B site operations and advertisement business, eTao.com and Alibaba Search business respectively. He has over 10 years of experience in the internet and e-commerce industry. He holds a bachelor degree in Computer Software from Peking University and a MBA degree from China Europe International Business School.

Mr. Zhang has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The director's fee of Mr. Zhang as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Zhang has no interest in the Shares within the meaning of Part XV of the SFO. Mr. Zhang has not held any directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Zhang confirmed that there is no other information to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

Mr. YANG Guang

Mr. Yang, aged 39, joined Alibaba Group in September 2007. He is currently the general manager of the department of supply chain innovation of Alibaba Group and responsible for innovative product and business in supply chain and logistics services in Taobao.com. Mr. Yang has nine years of experience in the internet industry and two years of experience in the lottery industry. Before the current position, Mr. Yang led the operation team of consumer electronics product in Taobao.com. Mr. Yang was one of the core members of the team responsible for the establishment of Tmall.com and Taobao Travel. From 2012 to 2015, Mr. Yang was responsible for Taobao.com's innovative business including Taobao Lottery. He holds an associate degree in biological pharmaceutical from Jilin University.

Mr. Yang has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The director's fee of Mr. Yang as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Yang has no interest in the Shares within the meaning of Part XV of the SFO. Mr. Yang has not held any directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Yang confirmed that there is no other information to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

Mr. JI Gang

Mr. Ji, aged 42, joined Ant Financial in January 2016 as Vice President and Head of Strategic Investment. He is responsible for the global strategic investments for Ant Financial and has 16 years of experience in the internet industry. Before joining Ant Financial, he served Alibaba Group as Vice President responsible for strategic investment. He holds bachelor's degree in international business management from University of International Business and Economics.

Mr. Ji has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The director's fee of Mr. Ji as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Ji has no interest in the Shares within the meaning of Part XV of the SFO. Mr. Ji has not held any directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Ji confirmed that there is no other information to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

Mr. ZHANG Wei

Mr. Zhang, aged 39, joined Ant Financial in May 2015. He is currently the general manager of the merchant development division for the payment business of Ant Financial Group and responsible for the cooperation with merchants and the development of the innovation business. Mr. Zhang has 10 years of experience in the internet industry and payment service industry. From 2003 to 2006, Mr. Zhang was senior business manager of the external media cooperation division of Sina Corporation and responsible for liaising with external media. From 2007 to 2015, he worked as director for Internet Media Development at Tencent Holdings Limited and was in charge of various major projects relating to business development, branding and marketing. Mr. Zhang holds an associate degree in automobile application from Hubei University of Automotive Technology.

Mr. Zhang has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The director's fee of Mr. Zhang as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Zhang has no interest in the Shares within the meaning of Part XV of the SFO. Mr. Zhang has not held any directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Zhang confirmed that there is no other information to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Subscriber) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and/or Ant Financial Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Group and/or Ant Financial Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The directors of Alibaba Holding jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and/or Ant Financial Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Group and/or Ant Financial Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The directors of Ant Financial jointly and severally accept full responsibility for the accuracy of the information relating to Ant Financial Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular by Ant Financial Group have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
31 July 2015	1.04
31 August 2015	1.26
30 September 2015	1.68
30 October 2015	1.50
30 November 2015	1.69
31 December 2015	2.02
29 January 2016	1.81
29 February 2016	1.88
4 March 2016 (being the Last Trading Day)	1.99
31 March 2016	1.91
29 April 2016	1.80
20 May 2016 (being the Latest Practicable Date)	1.71

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$1.39 on 4 September 2015 and 7 September 2015 and HK$2.13 on 13 January 2016, respectively.

3. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

Assuming there are no other changes to the number of Shares in issue from the Latest Practicable Date to the Completion Date, the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) upon Completion; and (c) after Completion assuming that the Convertible Bonds are converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share were/will be as follows:

(i) As at the Latest Practicable Date

Authorised:

10,000,000,000	Shares	HK$200,000,000

Issued, fully paid or credited as fully paid:

4,911,414,987	Shares	HK$9,822,829.974

(ii) Upon Completion

Authorised:

10,000,000,000	Shares	HK$200,000,000

Issued, fully paid or credited as fully paid:

4,911,414,987	Shares as at the Latest Practicable Date	HK$9,822,829.974
4,817,399,245	Shares to be allotted and issued upon Completion	HK$9,634,798.490
9,728,814,232		HK$19,457,628.464

(iii) After Completion, assuming that the Convertible Bonds are converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share

Authorised:

10,000,000,000	Shares	HK$20,000,000

Issued and fully paid or credited as fully paid:

4,911,414,987	Shares as at the Latest Practicable Date	HK$9,822,829.974
4,817,399,245	Shares to be allotted and issued upon Completion	HK$9,634,798.490
2,364,665,518	Shares to be allotted and issued assuming that the Convertible Bonds are converted in full at the Adjusted Initial Conversion Price of HK$0.3013 per Conversion Share	HK$4,729,331.036
12,093,479,750		HK$24,186,959.500

All the Shares in issue rank pari passu with each other in all respects, including the rights as to return of capital, dividend and voting. The Subscription Shares and the Conversion Shares, when issued and fully paid, will rank equally in all respects among themselves and with all the Shares in issue at their respective dates of allotment and issue, including the right to any dividends or distributions made or declared on or after their respective dates of allotment and issue.

The Shares are listed on and traded on the GEM of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the issued share capital of the Company since 31 December 2015, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date, save as disclosed below:

(i) the allotment and issue of an aggregate of 212,879,224 new Shares to Rainwood Resources Limited pursuant to the exercise of the Rainwood Options;

(ii) the allotment and issue of 10,135,135 new Shares to Immense Wisdom and King Achieve pursuant to the Score Value Transaction; and

(iii) the allotment and issue of 81,882,000 new Shares upon exercise of options granted by the Company under the Share Option Schemes.

(b) Share options

As at the Latest Practicable Date, the Company had:

(i) outstanding options granted under the Share Option Schemes entitling the holders to subscribe for an aggregate of 615,829,525 Shares, the details of which are set out below:

Holder(s) of outstanding share options	Date of grant	Exercise price per Share	Exercise period	Number of Shares which may fall to be issued upon full exercise of the Options
Director				
Mr. Bai Jinmin	17 August 2012	0.1006	17 August 2013–16 August 2017	875,000
	9 January 2013	0.4250	9 January 2014–8 January 2018	2,000,000
	21 January 2014	1.3100	21 January 2015–20 January 2019	5,000,000
Mr. Liang Yu	17 August 2012	0.1006	17 August 2013–16 August 2017	875,000
	9 January 2013	0.4250	9 January 2014–8 January 2018	4,000,000
	21 January 2014	1.3100	21 January 2015–20 January 2019	3,750,000

Holder(s) of outstanding share options	Date of grant	Exercise price per Share	Exercise period	Number of Shares which may fall to be issued upon full exercise of the Options
Mr. Cheng Guoming	1 June 2015	0.8580	1 June 2016– 31 May 2020	44,944,800
Dr. Gao Jack Qunyao	1 June 2015	0.8580	1 June 2016– 31 May 2020	1,500,000
Mr. Feng Qing	1 June 2015	0.8580	1 June 2016– 31 May 2020	1,500,000
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2014– 22 May 2018	31,931,883
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014– 19 June 2018	750,000
	21 January 2014	1.3100	21 January 2015– 20 January 2019	375,000
			Sub-total (A):	**97,501,683**
Other employees	21 December 2011	0.2900	21 December 2012– 20 December 2016	1,000,000
	17 August 2012	0.1006	17 August 2013– 16 August 2017	2,185,000
	9 January 2013	0.4250	9 January 2014– 8 January 2018	12,512,500
	2 January 2014	1.1900	2 January 2015– 1 January 2019	32,616,179
	21 January 2014	1.3100	21 January 2015– 20 January 2019	18,250,000
	20 January 2015	0.9200	20 January 2016– 19 January 2020	16,237,500
	1 June 2015	0.8580	1 June 2016– 31 May 2020	25,000,000
	7 July 2015	1.1020	7 July 2016– 6 July 2020	19,219,500
			Sub-total (B):	**127,020,679**

Holder(s) of outstanding share options	Date of grant	Exercise price per Share	Exercise period	Number of Shares which may fall to be issued upon full exercise of the Options
Others	21 December 2011	0.2900	21 December 2012–20 December 2016	375,000
	17 August 2012	0.1006	17 August 2013–16 August 2017	10,032,500
	9 January 2013	0.4250	9 January 2014–8 January 2018	19,250,000
	23 May 2013	0.4890	23 May 2014–22 May 2018	30,931,883
	21 January 2014	1.3100	21 January 2015–20 January 2019	27,125,000
	20 January 2015	0.9200	20 January 2016–19 January 2020	22,500,000
	7 July 2015	1.1020	7 July 2016–6 July 2020	281,092,780
			Sub-total (C):	**391,307,163**
			TOTAL: (A) + (B) + (C)	**615,829,525**

(ii) outstanding options which were granted to Immense Wisdom and King Achieve to subscribe for up to 166,666,666 Shares at a subscription price of HK$1.8 per Share and such options are contingent upon certain performance targets.

Save as disclosed in the section headed "Share Capital and Share Options" in this Appendix, as at the Latest Practicable Date, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the Shares

	Number of Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Approximate percentage held**
Mr. Sun	27,078,000	2,006,250,000(1)	2,033,328,000	41.400%
Mr. Bai	31,698,000	44,876,600(2)	76,574,600	1.559%
Mr. Liang	23,670,250	–	23,670,250	0.482%
Mr. Ho King Fung, Eric	10,643,961	–	10,643,961	0.217%
Ms. Monica Maria Nunes	875,000	–	875,000	0.018%

Notes:

1. These 2,006,250,000 Shares were held in the name of Maxprofit. As Maxprofit is beneficially and wholly-owned by Mr. Sun, an executive Director and chairman of the Company, Mr. Sun was deemed to be interested in such Shares.

2. These 44,876,600 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai, an executive Director. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

(ii) Long positions in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives)

Name of Director	Date of grant	Exercise price per Share *(HK$)*	Exercisable period *(Note)*	Number of underlying Shares	Approximate percentage held
Mr. Bai	17 August 2012	0.1006	17 August 2013– 16 August 2017	875,000	0.018%
	9 January 2013	0.4250	9 January 2014– 8 January 2018	2,000,000	0.041%
	21 January 2014	1.3100	21 January 2015– 20 January 2019	5,000,000	0.102%
Mr. Liang	17 August 2012	0.1006	17 August 2013– 16 August 2017	875,000	0.018%
	9 January 2013	0.4250	9 January 2014– 8 January 2018	4,000,000	0.081%
	21 January 2014	1.3100	21 January 2015– 20 January 2019	3,750,000	0.076%
Mr. Cheng	1 June 2015	0.8580	1 June 2016– 31 May 2020	44,944,800	0.915%
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2014– 22 May 2018	31,931,883	0.650%
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014– 19 June 2018	750,000	0.015%
	21 January 2014	1.3100	21 January 2015– 20 January 2019	375,000	0.008%
Mr. Feng Qing	1 June 2015	0.8580	1 June 2016– 31 May 2020	1,500,000	0.031%
Dr. Gao Jack Qunyao	1 June 2015	0.8580	1 June 2016– 31 May 2020	1,500,000	0.031%

Note: A portion of the option representing 25% of the total underlying Shares entitled under such option shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Save for the following exercise of share options by the Directors, none of the Directors dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period:

(i) *Mr. Bai Jinmin*

Date of exercise	Number of Shares involved	Exercise price	Option money paid/received *(HK$)*
11 September 2015	5,316,000	0.2900	1,541,640
11 September 2015	875,000	0.1006	88,025
7 January 2016	5,316,000	0.2900	1,541,640
7 January 2016	1,800,000	1.3100	2,358,000
8 January 2016	700,000	1.3100	917,000
11 January 2016	2,000,000	0.4250	850,000
21 January 2016	2,500,000	1.3100	3,275,000

(ii) *Mr. Liang Yu*

Date of exercise	Number of Shares involved	Exercise price	Option money paid/received *(HK$)*
28 October 2015	875,000	0.1006	88,025
26 November 2015	5,316,000	0.2900	1,541,640
26 November 2015	2,000,000	0.4250	850,000
24 December 2015	5,316,000	0.2900	1,541,640
11 January 2016	1,250,000	1.3100	1,637,500

(iii) Ms. Monica Maria Nunes

Date of exercise	Number of Shares involved	Exercise price	Option money paid/received *(HK$)*
18 January 2016	375,000	0.4740	177,750
18 January 2016	125,000	1.3100	163,750

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group or had any option in respect of such capital:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Maxprofit	Beneficial owner	2,006,250,000 *(Note 1)*	40.85%
Rainwood Resources Limited	Beneficial owner	475,067,224	9.67%
Mr. Cheung Lup Kwan, Vitor	Interest of controlled corporation	475,067,224 *(Note 2)*	9.67%

Notes:

1. As disclosed above, Mr. Sun was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in Maxprofit.

2. These 475,067,224 Shares were held in the name of Rainwood Resources Limited, which is beneficially and wholly-owned by Mr. Cheung Lup Kwan, Vitor. Accordingly, Mr. Cheung was deemed to be interested in such Shares.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, the Directors have entered into the following service contract with members of the Group:

Name of Director	Member of the Group	Term of contract	Amount of fixed remuneration	Notice of termination
Mr. Sun	Maxprofit Management Limited	With effect from 19 July 2006 with no fixed term	HK$3,600,000 per year	One month
Mr. Bai	Maxprofit Management Limited	Fixed term for a period commencing on 19 September 2014 and ending on the conclusion of the annual general meeting to be held in May 2017	HK$1,500,000 per year	Three months
Mr. Liang	Maxprofit Management Limited	Fixed term commencing on 23 April 2014 and ending on 31 December 2016	HK$1,080,000 per year	Three months
	世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	With effect from 23 April 2012 with no fixed term	RMB120,000 per year	One month
Mr. Cheng	Maxprofit Management Limited	Fixed term of two years with effect from 6 May 2015	HK$1,560,000 per year	Three months
Mr. Ho King Fung, Eric	Maxprofit Management Limited	Fixed term with effect from 23 May 2015 and ending on the conclusion of the annual general meeting of the Company to be held in May 2017	HK$120,000 per year	One month
Ms. Monica Maria Nunes	Maxprofit Management Limited	Fixed term with effect from 20 June 2015 and ending on the conclusion of the annual general meeting of the Company to be held in May 2017	HK$120,000 per year	One month

Name of Director	Member of the Group	Term of contract	Amount of fixed remuneration	Notice of termination
Mr. Feng Qing	Maxprofit Management Limited	Fixed term of two years with effect from 4 May 2015	HK$100,000 per year	One month
Dr. Gao Jack Qunyao	Maxprofit Management Limited	Fixed term of two years with effect from 6 May 2015	HK$100,000 per year	One month

Save as disclosed above, as at the Latest Practicable Date:

(a) none of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or associated companies within six months before the date of the Announcement;

(b) none of the Directors had any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and

(c) none of the Directors had any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by a member of the Group and which are or may be material:

(a) the conditional sale and purchase agreement dated 17 November 2014 entered into among Silvercreek, the Company, Immense Wisdom, King Achieve and Score Value Limited in relation to the acquisition of the entire equity interests in Score Value Limited by Silvercreek from Immense Wisdom and King Achieve at the initial consideration of HK$189.5 million and the deferred consideration of up to HK$300.0 million (subject to downward adjustments); and

(b) the Subscription Agreement.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

9. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

10. NO MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

11. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	**Qualification**
Somerley Capital Limited ("**Somerley**")	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

12. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date:

(a) save for the Subscription, the Subscriber and parties acting in concert with it did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(b) save for the Subscription, the directors of the Subscriber or any parties acting in concert with it are not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(c) save for the Subscription, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber or parties acting in concert with it;

(d) save for (i) the re-appointment of Mr. Sun as an executive Director and chief executive officer of the Company and (ii) the re-employment of Mr. Bai, Mr. Liang and Mr. Cheng as a member of the Company's senior management as from Completion pursuant to the Subscription Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between (A) the Subscriber or any parties acting in concert with it and (B) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver;

(e) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription and/or the Whitewash Waiver;

(f) no Shares acquired by the Subscriber or parties acting in concert with it pursuant to the Subscription will be transferred, charged or pledged to any other persons.

(g) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber, and it had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber during the Relevant Period;

(h) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;

(i) save as disclosed in this appendix, none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(j) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or its subsidiaries; nor (iii) any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders), owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, had any of them dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing from the date of the Announcement and up to the Latest Practicable Date;

(k) save for the Subscription Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(l) no fund which was managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(m) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Directors or by the Company, save for any borrowed shares which have been either on-lent or sold;

(n) save for the Subscription Agreement (as described under the section headed "Subscription Agreement" in the letter from the Board), there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver;

(o) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;

(p) save for the Subscription Agreement to which Mr. Sun is a party, there was no material contract entered into by the Subscriber in which any Director had a material personal interest; and

(q) each of Mr. Sun, Mr. Bai, Mr. Liang (all being executive Directors), Mr. Ho King Fung, Eric (a non-executive Director) and Ms. Monica Maria Nunes (an independent non-executive Director), beneficially held 2,033,328,000 Shares, 76,574,600 Shares, 23,670,250 Shares, 10,643,961 Shares and 875,000 Shares, respectively. Mr. Sun, being a party to the Subscription Agreement, and Mr. Bai and Mr. Liang, who are involved in the Subscription, and each of their respective associates, will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. As Mr. Cheng, who is involved in the Subscription, and his associates do not currently hold any Shares, none of them will vote on any of the resolutions at the SGM. However, if Mr. Cheng exercises any of his outstanding 44,944,800 share options prior to the date of the SGM, he will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. As at the Latest Practicable Date, each of Mr. Ho King Fung, Eric and Ms. Monica Maria Nunes (whom are not involved in, or interested in, the Subscription) intends to vote in favour of the Subscription and the Whitewash Waiver.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Unit 3912, 39th Floor, Tower Two, Times Square, Causeway Bay, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM. Copy of the following documents will also be available for inspection on the website of the SFC at http://www.sfc.hk and the website of the Company at http://www.agtech.com from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum of association and articles of association of the Subscriber;

(c) the published annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015;

(d) the letter from the Board, the text of which is set out on pages 10 to 58 of this circular;

(e) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-60 of this circular;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(h) the service contracts referred to in the paragraph headed "Service contracts" in this appendix; and

(i) the letter of consent referred to in the paragraph headed "Qualifications and consent of expert" in this appendix.

14. GENERAL

(a) The registered office of the Subscriber is at Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

(b) The registered office of Alibaba Holding is at Trident Trust Company (Cayman) Limited, Fourth Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands.

(c) The registered office of Ant Financial is at Room No. 802, Building No. 5, Xixi New Block, Xihu District, Hangzhou.

(d) The company secretary of the Company is Ms. Lo Kei Chi, who is fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

(e) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(f) The head office and principal place of business of the Company in Hong Kong is situated at Unit 3912, 39th Floor, Tower Two, Times Square, Causeway Bay, Hong Kong.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(h) The correspondence address of the Independent Financial Adviser is 20/F, China Building, 29 Queen's Road Central, Hong Kong.

(i) The directors of the Subscriber are Mr. Timothy Alexander STEINERT, Mr. YEN Ping Ying, Samuel and Ms. WU Wei. The Subscriber is owned indirectly held as to 60% by Alibaba Holding (whose ADSs are listed on the New York Stock Exchange) and as to 40% by Ant Financial (a company controlled by Mr. Jack Yun MA). The directors of Alibaba Holding are (i) Mr. Jack Yun MA, Mr. Joseph C. TSAI, Mr. Jonathan Zhaoxi LU, Mr. Daniel Yong ZHANG, Mr. Masayoshi SON as directors; and (ii) Mr. Chee Hwa TUNG, Mr. Walter Teh Ming KWAUK, Mr. J. Michael EVANS, Mr. Jerry YANG, Mr. Börje E. EKHOLM and Ms. Wan Ling MARTELLO as independent directors. The directors of Ant Financial are Ms. Lei PENG, Mr. Yi ZHANG and Mr. Xiandong JING.

(j) The English text of this circular shall prevail over the corresponding Chinese translation in the case of inconsistency.

AGTech Holdings Limited
亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of AGTech Holdings Limited (the "**Company**") will be held at 11 a.m. on Friday, 10 June 2016 at conference room of HLB Hodgson Impey Cheng Limited at 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions of the Company as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to and conditional on the passing of ordinary resolutions nos. 2 and 3:

    (a) the entering into of the conditional subscription agreement (the "**Subscription Agreement**", a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into among Ali Fortune Investment Holding Limited (the "**Subscriber**"), the Company, Mr. Sun Ho and Maxprofit Global Inc dated 4 March 2016 in relation to the subscription by the Subscriber of (i) an aggregate of 4,817,399,245 shares in the Company of HK$0.002 each (the "**Subscription Shares**") at the subscription price of HK$0.3478 per Subscription Share and (ii) convertible bonds (the "**Convertible Bonds**") to be issued by the Company in the aggregate principal amount of HK$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 shares in the Company of HK$0.002 each at the initial conversion price of HK$0.3478 per Share (subject to adjustment in accordance with the Subscription Agreement) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

    (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in the Subscription Shares and the new shares of the Company to be issued upon conversion of the Convertible Bonds (the "**Conversion Shares**"), a mandate be and is hereby granted to the directors (the "**Directors**") of the Company (or a duly authorised committee thereof) to allot and issue the Subscription Shares and the Conversion Shares (the "**Specific Mandate**") in accordance with the terms of the Subscription Agreement. The Specific

* *For identification purpose only*

Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution;

(c) the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be and are hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Subscription Agreement and the issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company."

2. "**THAT**, subject to the passing of ordinary resolutions nos. 1 and 3 and the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission granting to the Subscriber and parties acting in concert with it the waiver (the "**Whitewash Waiver**") pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from any obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it which would otherwise arise as a result of (i) the Subscriber subscribing for the Subscription Shares and the Convertible Bonds under the Subscription Agreement; and (ii) the Subscriber obtaining the Conversion Shares be and is hereby approved, and that any one or more of the Directors be and is hereby authorised to do all such acts and things and execute all such documents as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

3. "**THAT**, subject to the passing of resolutions numbered 1 and 2 above, the authorised share capital of the Company be increased from HK$20,000,000 divided into 10,000,000,000 shares of par value HK$0.002 each to HK$40,000,000 divided into 20,000,000,000 shares of par value HK$0.002 each by the creation of an additional 10,000,000,000 shares of par value HK$0.002 each (the "**Authorised Share Capital Increase**") and the Directors be and are hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Authorised Share Capital Increase."

4. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Zhou Haijing to serve as an executive director of the Company with effect from the Completion Date (as defined in the circular of the Company dated 25 May 2016 (the "**Circular**") be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

5. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Zhang Qin to serve as a non-executive director of the Company with effect from the Completion Date (as defined in the Circular) be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

6. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Yang Guang to serve as a non-executive director of the Company with effect from the Completion Date (as defined in the Circular) be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

7. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Ji Gang to serve as a non-executive director of the Company with effect from the Completion Date (as defined in the Circular) be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

8. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Zhang Wei to serve as a non-executive director of the Company with effect from the Completion Date (as defined in the Circular) be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

By order of the board of directors of the Company
AGTech Holdings Limited
Sun Ho
Chairman & CEO

The Hong Kong Special Administrative Region of the People's Republic of China, 25 May 2016

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Unit 3912, 39th Floor, Tower Two
Times Square
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote in his/her stead in accordance with the bye-laws of the Company. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

3. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the SGM, and in default the form of proxy shall not be treated as valid. The completion and return of the form of proxy shall not preclude members from attending and voting in person at the SGM (or any adjournment thereof) should they so desire.

As at the date of this notice, the Board comprises (i) Mr. Sun Ho, Mr. Bai Jinmin, Mr. Liang Yu and Mr. Cheng Guoming as executive Directors; (ii) Mr. Ho King Fung, Eric as non-executive Director; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.