

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Turnover	<i>3</i>	1,687,953	2,165,474
Cost of sales/services rendered		(448,271)	(581,777)
Other income	<i>3</i>	9,485	14,018
Other gains, net	<i>3</i>	19,867	10,967
Selling and distribution expenses		(64,122)	(90,443)
Loss on deconsolidation of a subsidiary		(9,397)	–
Impairment loss on goodwill		(748,530)	(20,000)
Impairment losses on intangible assets		(121,885)	–
Administrative expenses		(305,685)	(401,591)
Operating profit		19,415	1,096,648
Finance costs		(173,474)	(102,422)
Share of profits of joint ventures		12,518	6,713
(Loss)/profit before taxation	<i>5</i>	(141,541)	1,000,939
Taxation	<i>6</i>	(30,559)	(74,489)
(Loss)/profit for the year		(172,100)	926,450

		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(103,692)	868,982
Non-controlling interests		(68,408)	57,468
		<u>(172,100)</u>	<u>926,450</u>
(Loss)/earnings per share for (loss)/profit attributable to equity shareholders of the Company	8		
– Basic		<u>(1.12) cents</u>	<u>10.25 cents</u>
– Diluted		<u>(1.12) cents</u>	<u>9.58 cents</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(172,100)</u>	<u>926,450</u>
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	(39,835)	49,120
Share of other comprehensive (expense)/income of joint ventures	<u>(4,022)</u>	<u>5,741</u>
Total other comprehensive (expense)/income	<u>(43,857)</u>	<u>54,861</u>
Total comprehensive (expense)/income for the year	<u>(215,957)</u>	<u>981,311</u>
Attributable to:		
Equity shareholders of the Company	(141,972)	914,768
Non-controlling interests	<u>(73,985)</u>	<u>66,543</u>
	<u>(215,957)</u>	<u>981,311</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		196,259	186,082
Prepaid lease payments on land use rights		46,317	36,494
Goodwill		1,531,322	2,272,900
Intangible assets		57,803	246,293
Interests in joint ventures		384,552	388,450
Available-for-sale financial assets		77,182	34,000
Deferred tax assets		—	441
Total non-current assets		2,293,435	3,164,660
Current assets			
Inventories		142,656	151,315
Trade receivables	9	916,772	1,114,582
Utility and other deposits		1,742,347	1,053,516
Prepayments and other receivables		2,125,177	947,155
Financial assets at fair value through profit or loss		53,102	18,850
Cash and bank balances	10	1,293,032	1,146,266
Total current assets		6,273,086	4,431,684
Total assets		8,566,521	7,596,344
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	11	99,600	87,318
Reserves		5,827,299	5,708,058
Proposed final dividend	7	79,680	168,644
		6,006,579	5,964,020
Non-controlling interests		133,527	258,652
Total equity		6,140,106	6,222,672

		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		46,195	46,195
Deferred tax liabilities		151,269	148,219
Convertible bonds	14	1,900,452	833,649
Obligations under finance leases		27,262	44,932
		<hr/>	<hr/>
Total non-current liabilities		2,125,178	1,072,995
		<hr/>	<hr/>
Current liabilities			
Trade payables	12	26,871	23,460
Other payables and accruals		157,897	170,900
Bank borrowings	13	87,500	70,656
Obligations under finance leases		16,681	16,036
Current tax liabilities		12,288	19,625
		<hr/>	<hr/>
Total current liabilities		301,237	300,677
		<hr/>	<hr/>
Total liabilities		2,426,415	1,373,672
		<hr/>	<hr/>
Total equity and liabilities		8,566,521	7,596,344
		<hr/>	<hr/>
Net current assets		5,971,849	4,131,007
		<hr/>	<hr/>
Total assets less current liabilities		8,265,284	7,295,667
		<hr/>	<hr/>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared under all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39 HK(IFRIC) – Int 21	Novation of Derivatives and Continuation of Hedge Accounting Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The principal effects of adopting these new and revised HKFRS are summarised as follows:

(a) Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. These amendments do not have an impact on the Group.

(b) Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

Amendments to HKAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” for offsetting financial assets and financial liabilities. The amendments do not have any material impact on the Group.

(c) Amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting

The Amendments to HKAS 39 provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments do not have any material impact on the Group.

(d) HK(IFRIC) – Int 21, Levies

The Interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation does not have any material impact on the Group.

3. TURNOVER, OTHER INCOME AND OTHER GAINS, NET

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and interest income.

An analysis of the Group's turnover, other income and other gains, net for the year is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover		
Income from provision of lottery machines and related services	<u>1,687,953</u>	<u>2,165,474</u>
Other income		
Interest income on bank deposits	1,480	3,105
Sundry income	4,463	6,771
Rental income from sub-letting of rented premises	3,283	4,142
Dividend income from listed investments	<u>259</u>	<u>–</u>
	<u>9,485</u>	<u>14,018</u>
Other gains, net		
Net gains on disposal of financial assets		
at fair value through profit or loss	2,310	–
Fair value gains on financial assets		
at fair value through profit or loss	17,546	4,750
Exchange gains	<u>11</u>	<u>6,217</u>
	<u>19,867</u>	<u>10,967</u>
	<u><u>1,717,305</u></u>	<u><u>2,190,459</u></u>
Total interest income on financial assets not		
at fair value through profit or loss	<u><u>1,480</u></u>	<u><u>3,105</u></u>

4. SEGMENT INFORMATION

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

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

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

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

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

Business Segment

- (a) The segment results for the year ended 31 December 2014 and segment assets and liabilities at 31 December 2014 are as follows:

	As at and for the year ended 31 December 2014 Lottery business HK\$'000
Turnover	<u>1,687,953</u>
Segment results	83,966
Net unallocated expenses	<u>(225,507)</u>
Loss before taxation	(141,541)
Taxation	<u>(30,559)</u>
Loss for the year	<u>(172,100)</u>
Assets	
Segment assets	8,293,556
Unallocated assets	<u>272,965</u>
Total assets	<u>8,566,521</u>
Liabilities	
Segment liabilities	489,889
Unallocated liabilities	<u>1,936,526</u>
Total liabilities	<u>2,426,415</u>

The segment results for the year ended 31 December 2013 and segment assets and liabilities at 31 December 2013 are as follows:

	As at and for the year ended 31 December 2013 Lottery business HK\$'000
Turnover	<u>2,165,474</u>
Segment results	1,157,913
Net unallocated expenses	<u>(156,974)</u>
Profit before taxation	1,000,939
Taxation	<u>(74,489)</u>
Profit for the year	<u>926,450</u>
Assets	
Segment assets	7,218,154
Unallocated assets	<u>378,190</u>
Total assets	<u>7,596,344</u>
Liabilities	
Segment liabilities	504,245
Unallocated liabilities	<u>869,427</u>
Total liabilities	<u>1,373,672</u>

(b) Other segment information

	For the year ended 31 December 2014 Lottery business HK\$'000
Other information	
Depreciation and amortisation	81,625
Impairment loss on goodwill	748,530
Impairment losses on intangible assets	121,885
Capital expenditure	80,406
	For the year ended 31 December 2013 Lottery business HK\$'000
Other information	
Depreciation and amortisation	105,813
Allowance for impairment of bad and doubtful debts	45
Impairment loss on goodwill	20,000
Capital expenditure	36,105

Geographical Segments

In terms of geographical location, nearly 100% of the Group's revenue is attributable to the market in the PRC.

Total non-current assets by location are as follows:

	2014 HK\$'000	2013 HK\$'000
PRC	2,257,296	3,127,333
Hong Kong	36,139	36,886
	2,293,435	3,164,219
Deferred tax assets	–	441
Total non-current assets per consolidated balance sheet	2,293,435	3,164,660

Information About Major Customers

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

5. (LOSS)/PROFIT BEFORE TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The Group's (loss)/profit before taxation is stated after charging the following:		
Auditors' remuneration		
– current year	3,277	3,053
– (over-provision)/under-provision in prior year	(14)	159
Allowance for impairment of bad and doubtful debts	–	45
Write-down on inventories	4,775	–
Cost of inventories sold	393,951	456,104
Research and development costs	2,161	7,803
Loss on disposal of property, plant and equipment	109	782
Depreciation and amortisation on		
– property, plant and equipment		
– owned assets	40,931	59,825
– leased assets	6,700	6,867
– prepaid lease payments on land use rights	962	984
– intangible assets	33,032	38,137
Operating lease rentals in respect of		
– office premises and warehouses	36,599	51,544
– machinery	198	1,277
Exchange losses	3,019	400

6. TAXATION

Hong Kong profits tax is made in the financial statements for estimated assessable profits derived from Hong Kong for the year at the tax rate of 16.5% (2013: Nil).

Two of the subsidiaries, Guangzhou Latech Technology Co Ltd and Shenzhen Sinodata Technology Co Ltd, of the Group's lottery business in the PRC are entitled to a preferential income tax rate of 15% as they are recognised as high technology enterprises for the year ended 31 December 2014 (2013: 15%).

In the current year, certain subsidiaries of the Group in the PRC are entitled to a preferential income tax rate of 10% or 20% (2013: 12.5%). The applicable income tax rate for other subsidiaries of the Group in the PRC is 25% (2013: 25%).

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

	2014 HK\$'000	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	155	–
PRC income tax	28,840	35,208
Over-provision in respect of previous years	(2,880)	(7,635)
	26,115	27,573
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	4,890	46,916
Attributable to changes in tax rates	(446)	–
Taxation charge	30,559	74,489

7. DIVIDENDS

	2014 HK\$'000	2013 <i>HK\$'000</i>
Interim dividend declared and paid of 2.30 HK cents (2013: 1.70 HK cents) per ordinary share		
– Cash	165,369	70,318
– Scrip alternative	61,812	74,667
	227,181	144,985
Proposed final dividend of 0.80 HK cent (2013: 1.88 HK cents) per ordinary share	79,680	168,644
	306,861	313,629

For the interim dividend 2014, scrip dividend with cash alternative was offered to shareholders. Shares issued during the year 2014 on the shareholders' election to receive shares are set out in note 11.

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

The final dividend of HK\$174,633,000, which included cash dividend of HK\$125,649,000 and scrip dividend of HK\$48,984,000, for the financial year ended 31 December 2013 was approved during the year. The cash dividend and scrip dividend were paid and allotted on 31 July 2014.

8. (LOSS)/EARNINGS PER SHARE

(a) *Basic (loss)/earnings per share*

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

	2014	2013
(Loss)/profit attributable to equity shareholders of the Company (<i>in thousand HK\$</i>)	<u><u>(103,692)</u></u>	<u><u>868,982</u></u>
Weighted average number of ordinary shares in issue (<i>in thousand</i>):		
Issued ordinary shares at 1 January	8,731,772	8,440,580
Effect of share options exercised and convertible bonds converted	528,640	62,707
Effect of shares repurchased	(21,082)	(32,880)
Effect of allotment of scrip shares	<u>29,531</u>	<u>7,008</u>
Weighted average number of ordinary shares at 31 December (<i>in thousand</i>)	<u><u>9,268,861</u></u>	<u><u>8,477,415</u></u>
Basic (loss)/earnings per share	<u><u>(1.12) cents</u></u>	<u><u>10.25 cents</u></u>

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the Group's (loss)/profit attributable to equity shareholders of the Company and adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares of the Company.

Diluted loss per share for the year ended 31 December 2014 is same as the basic loss per share as both the share options and the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

Diluted earnings per share for the year ended 31 December 2013 was calculated as follow:

Profit for the year for the purpose of basic earnings per share (<i>in thousand HK\$</i>)	868,982
Effect of dilutive potential ordinary shares (<i>in thousand HK\$</i>)	
– imputed interest on convertible bonds	<u>94,996</u>
Profit for the purpose of diluted earnings per share (<i>in thousand HK\$</i>)	<u>963,978</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	<u>8,477,415</u>
Effect of dilution – weighted average number of ordinary shares (<i>in thousand</i>):	
– exercise of share options	7,207
– conversion of convertible bonds	<u>1,578,857</u>
	<u>1,586,064</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>in thousand</i>)	<u><u>10,063,479</u></u>
Diluted earnings per share	<u><u>9.58 cents</u></u>

9. TRADE RECEIVABLES

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Loan interest receivable	–	149
Trade receivables – Lottery business	<u>916,772</u>	<u>1,114,433</u>
	<u>916,772</u>	<u>1,114,582</u>

The directors of the Company (the “Directors”) consider that the carrying amounts of trade receivables approximate to their fair values. The Group generally grants credit periods of 90 to 270 days (2013: 90 to 180 days) to its trade customers.

As at 31 December 2013, trade receivables approximately HK\$6,553,000 were pledged to a bank to secure general banking facilities granted to the Group.

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

	As at 31 December 2014		
	Trade receivables		
	Loan interest receivable	– Lottery business	Total
	HK\$'000	HK\$'000	HK\$'000
Three months or less	–	439,375	439,375
One year or less but over three months	–	462,807	462,807
Over one year	<u>–</u>	<u>14,590</u>	<u>14,590</u>
	<u>–</u>	<u>916,772</u>	<u>916,772</u>

As at 31 December 2013			
	Loan interest receivable <i>HK\$'000</i>	Trade receivables – Lottery business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months or less	–	616,783	616,783
One year or less but over three months	–	479,036	479,036
Over one year	149	18,614	18,763
	<u>149</u>	<u>1,114,433</u>	<u>1,114,582</u>

10. CASH AND BANK BALANCES

	The Group		The Company	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cash at banks				
– general accounts	1,284,454	1,143,710	42,666	49,319
– segregated accounts	332	336	–	–
Cash in hand	8,246	2,220	4,500	–
	<u>1,293,032</u>	<u>1,146,266</u>	<u>47,166</u>	<u>49,319</u>

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2013, 31 December 2013 and 31 December 2014	<u>20,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2013	8,440,580	84,406
Repurchase of shares (a)	(61,075)	(611)
Exercise of share options (b)	236,000	2,360
Issue of shares in lieu of cash dividends (c)	<u>116,267</u>	<u>1,163</u>
At 31 December 2013	8,731,772	87,318
Repurchase of shares (a)	(67,950)	(680)
Exercise of share options (b)	106,000	1,060
Issue of shares in lieu of cash dividends (c)	140,766	1,408
Issue of shares upon conversion of convertible bonds (d)	<u>1,049,437</u>	<u>10,494</u>
At 31 December 2014	<u>9,960,025</u>	<u>99,600</u>

- (a) During the year, the Company repurchased 67,950,000 (2013: 61,075,000) shares from the market at the price ranging from HK\$0.780 to HK\$0.800 (2013: ranging from HK\$0.490 to HK\$0.590) per share for a total consideration (including expenses) of approximately HK\$54,037,000 (2013: HK\$32,491,000). The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of approximately HK\$680,000 (2013: HK\$611,000) was transferred from retained profits to the capital redemption reserve. The premium and expenses paid on the repurchase of these shares were charged to share premium of HK\$53,357,000 (2013: HK\$31,880,000).
- (b) During the year, 106,000,000 (2013: 236,000,000) share options were exercised by the eligible option holders at their respective exercise prices for a total cash consideration of HK\$113,080,000 (2013: HK\$133,054,000), resulting in an issue of 106,000,000 (2013: 236,000,000) new ordinary shares of HK\$0.01 each.

- (c) On 31 July 2014, 58,195,540 new ordinary shares were allotted and issued at HK\$0.8417 per share in respect of the final dividend for the year ended 31 December 2013. On 28 August 2014, the board of Directors declared an interim dividend of 2.30 HK cents per share for the six months ended 30 June 2014. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 10 December 2014, 82,570,203 new ordinary shares were allotted and issued at HK\$0.7486 per share in respect of the interim dividend for the six months ended 30 June 2014. On 10 December 2013, 116,266,729 new ordinary shares were issued at HK\$0.6422 per share in respect of the interim dividend for the six months ended 30 June 2013.
- (d) During the year, one of the convertible bonds with principal amounts of HK\$282,800,000 and HK\$335,300,000 were converted into 471,333,329 and 578,103,444 ordinary shares of HK\$0.01 each of the Company at the conversion prices of HK\$0.60 and HK\$0.58 per share, respectively.

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.

12. TRADE PAYABLES

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Other client payables	314	314
Trade payables – Lottery business	26,557	23,146
	26,871	23,460

Other client payables were repayable on demand and bore interest at prevailing market rates.

No ageing analysis was disclosed for other client payables as, in the opinion of the Directors, the ageing analysis did not give additional value in view of the nature of business.

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

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

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

	2014 HK\$'000	2013 <i>HK\$'000</i>
Three months or less	26,040	22,060
Over three months	517	1,086
	<u>26,557</u>	<u>23,146</u>

13. BANK BORROWINGS

	The Group 2014 HK\$'000	2013 <i>HK\$'000</i>
Bank loans		
– secured and due within one year	87,500	70,656
	<u>87,500</u>	<u>70,656</u>

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

At 31 December 2014, bank loans of approximately HK\$87,500,000 (2013: HK\$64,103,000) are secured by the leasehold buildings and land use rights. At 31 December 2013, bank loans of approximately HK\$6,553,000 were secured by the trade receivables of the Group.

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

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

Bank borrowings include the following amount denominated in a currency other than the Company's functional currency, HK dollars:

	2014 '000	2013 <i>'000</i>
Renminbi	70,000	55,112
	<u>70,000</u>	<u>55,112</u>

14. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and the Company		
	Convertible bonds due 2019 HK\$'000	Convertible bonds due 2016 HK\$'000	Total HK\$'000
Carrying amount at 1 January 2013	–	795,904	795,904
Interest expense	–	94,996	94,996
Interest payable	–	(57,251)	(57,251)
Carrying amount at 31 December 2013	–	833,649	833,649
Bonds issued during the year	1,900,000	–	1,900,000
Equity component*	(303,157)	–	(303,157)
Transaction costs attributable to the liability component	(34,307)	–	(34,307)
Interest expense	94,438	68,793	163,231
Interest payable	(57,288)	(37,493)	(94,781)
Converted during the year	–	(564,183)	(564,183)
Carrying amount at 31 December 2014	<u>1,599,686</u>	<u>300,766</u>	<u>1,900,452</u>

* The transaction costs attributable to the equity component of the convertible bonds due 2019 amounted to HK\$6,427,000.

15. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, certain subsidiaries of the Group have issued corporate guarantees in respect of the finance lease obligation under a sales and leaseback arrangement granted to a subsidiary of the Group which will expire when the lease is terminated. As at 31 December 2013, a subsidiary has issued corporate guarantee to a bank to secure general facilities granted to one of the subsidiaries. The Group has not recognised any deferred income and the related expenses in respect of such guarantees, as in the opinion of the Directors, their fair value cannot be reliably measured using observable market data and their transaction price was nil.

As at 31 December 2014 and 2013, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

16. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements are as follows:

The Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Contracted for		
– purchase of property, plant and equipment	1,203	–
– increase in registered capital of a subsidiary	84,000	84,000
	<u>85,203</u>	<u>84,000</u>

- (b) At 31 December 2014, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Land and buildings		
Within one year	34,865	36,600
In the second to fifth year inclusive	60,774	24,404
More than five years	65,234	–
	<u>160,873</u>	<u>61,004</u>

The Group leases various office and factory premises, office equipment and warehouses under operating leases. The leases run for an initial period of 1 to 12 years (2013: 1 to 5 years). The leases do not include any contingent rentals.

The Company

At 31 December 2014, the Company does not have any significant capital and operating lease commitments (2013: Nil).

17. DECONSOLIDATION OF A SUBSIDIARY

The Group deconsolidated an indirect non-wholly owned subsidiary (the “PRC Company”) as the Group determined that the Group does not have control or significant influence over the PRC Company. The Group therefore concluded to deconsolidate the PRC Company from the consolidated financial statements from 1 January 2014.

The net assets of the PRC Company as of 1 January 2014 are set out below:

	Total <i>HK\$'000</i>
Property, plant and equipment	864
Trade and other receivables	65,751
Cash and cash equivalents	35,933
Trade and other payables	(18,892)
Current tax liabilities	<u>(3,892)</u>
Net assets deconsolidated	79,764
Non-controlling interests	(31,905)
Cost of investment reclassified to available-for-sale financial assets	<u>(38,462)</u>
Loss on deconsolidation of a subsidiary	<u><u>9,397</u></u>
Loss on deconsolidation of a subsidiary attributable to:	
Equity shareholders of the Company	5,638
Non-controlling interests	<u>3,759</u>
Loss on deconsolidation of a subsidiary	<u><u>9,397</u></u>
Net cash outflow arising on deconsolidation of a subsidiary	
Cash and cash equivalents of a subsidiary deconsolidated	<u><u>35,933</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the financial year ended 31 December 2014.

BUSINESS REVIEW AND PROSPECTS

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

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

Lottery Business

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

Turnover of the lottery business for the year decreased by 22% to HK\$1,687,953,000 (2013: HK\$2,165,474,000), accounting for 100% of the total turnover. Loss before taxation arising from this segment was HK\$141,541,000 (profit before taxation in 2013: HK\$1,000,939,000).

The decline of profit was primarily attributable to the prudent accounting adjustments made pursuant to the temporary suspension of the Group's internet based lottery distribution operations since March 2015 (the "Suspension"). The adjustments include the provision for impairment losses amounted to HK\$848,415,000, including goodwill and intangible assets amounted to HK\$726,530,000 and HK\$121,885,000 respectively, which was a non-cash write-down on the full value of the Group's intangible assets and goodwill related to its internet based lottery distribution operations; and the deconsolidation of an indirectly non-wholly owned subsidiary incorporated in the People's Republic of China in September 2013 (the "PRC Company"). This indirectly non-wholly owned subsidiary is principally engaged in the provision of internet based lottery distribution services in China.

The Suspension is in support of and cooperation with various provincial lottery centers' self-inspection program. According to the "Circular on Self-examination and Self-correction on Unauthorized Lottery Sale on the Internet" jointly issued by Ministry of Finance, Ministry of Civil Affairs and General Administration of Sport of China in January 2015, the self-inspection program will review the regulatory system in place in the provinces for the authorization and management of the types of lottery games being distributed online, methods of online distribution and compliance on payout ratio, etc. by the provincial authorities. We strongly believe that the self-inspection program will clarify the code of conducts and standards of operations in the internet lottery market which will ensure transparency of the control system, and eliminate malpractices in the industry. Such moves are clearly beneficial to the healthy development of the industry and more importantly, it will further speed up market consolidation and the process of long-awaited licensing.

During the year under review, all internet related operations of the Group were conducted through www.okooo.com ("Okooo") and the Okooo platform are held by the PRC Company, the deconsolidation of the PRC Company will prevent the Group from consolidating all relevant incomes generated by its internet related operations which go through this platform. However, it should be noted that the Group's underlying internet related operations remain unchanged.

In view of the upcoming development on licensing, it is envisaged that the previous business model of internet lottery operations, which online lottery service provider being the purchasing agent acting for lottery customers will not be sustainable in the future, and it will pave the way to the adoption of a new model/technology of internet lottery distribution through the centralised backbone system managed by the respective lottery issuance authorities. Although management does not believe there will be a prolonged suspension of internet lottery distribution due to this review, it is uncertain on when the operations will resume. Taking into account the above-mentioned considerations, the management has proposed to make accounting adjustments on the financial statements for the year ended 31 December 2014 for the sake of prudence. Most importantly, these accounting adjustments do not limit or affect the Group's ability and its solid progress achieved during the year under review.

Highlights of the year

Despite the accounting adjustments as a prudent measure to the recent development affecting the lottery market and the internet lottery distribution in China, 2014 was another fruitful year for the Group in terms of underlying business operations. The solid operating performance demonstrated the Group's ability to leverage our diversified business across the whole value chain of Chinese lottery market to drive strong and sustainable development.

The Group's SGBD continued to deliver solid earnings. Welfare Computer Ticket Game ("CTG") business was able to benefit from a favorable market development and maintain its leading market position across 17 lottery provinces. Our Group also maintains core strengths and leading research and development capabilities in lottery system development.

Given the positive impact of World Cup, the Group's Single Match Games ("SMG") business registered strong growth in sales during the year under review. We have successfully reached out to new communities of players across our comprehensive lottery platform. In the second half of 2014, the Group has strategically increased its interest in its online operations to expand its strong presence over electronic lottery distribution channels. This investment allows the Group to seize the enormous market opportunities as they emerge.

Meanwhile, the Group has made very good progress on expanding its mobile operations. The Group entered into contract with Guangdong Sports Lottery Administration Centre ("Guangdong SLAC") to develop the Mobile Electronic Lottery Platform ("Mobile ELP") for the implementation of paperless lottery distribution channels in Guangdong Province.

Diversifying of the Group's business helps us to identify emerging opportunity for growth. In 2014, the Group was honored to be chosen as one of the first companies to play an active role in supporting the launch of a new lottery product for Sports Lottery. We have participated in a pilot program and prepared for the issuance of video lottery terminals for Sports Lottery ("Sports VLT"). The issuance of Sports VLT is one of the initiatives adopted by the authorities in support of the tourism development in Hainan Province. The Group's first franchised lottery outlet has commenced soft opening in January 2015 allowing players to experience a brand new lottery entertainment.

During the year under review, the Company successfully launched a convertible bond issuance of HK\$1.9 billion which further enhanced the Group's financial strength for business development. This successful capital raise put us in an excellent position to seize the enormous market opportunities in the fast growing segments in the industry, i.e. electronic lottery market.

The strong set of underlying operating results demonstrates the Group's ability to drive sustainable development and allows us to capture the ever-expanding opportunities for long term growth.

Chinese Lottery Market

In 2014, Chinese lottery market achieved another new record sales of RMB382.4 billion (2013: RMB309.3 billion), representing a strong year-on-year growth of 24%.

Total sales of Welfare Lottery amounted to RMB206.0 billion. Welfare CTG accounted for about 73% of total Welfare Lottery sales; Welfare Scratch Cards was about 9% and Video Lottery Terminals ("VLT") took about 18%.

Welfare CTG sales in 2014 was RMB149.6 billion, increased by 16%. Sales of Dual Colour Ball, the flagship national jackpot lotto, together with other national Welfare CTG games accounted for 51% of the total Welfare CTG sales while the aggregate sales of regional games including different high frequency games accounted for 49% of the total Welfare CTG sales. Welfare Scratch Cards sales was RMB18.6 billion, up 0.2%. VLT sales increased 30% to RMB37.7 billion.

Total sales of Sports Lottery was RMB176.4 billion. Sports CTG accounted for about 91% of total Sports Lottery sales and Sports Scratch Cards was about 9%.

Sales of Sports CTG, including SMG, increased by 38% to RMB160.7 billion. Benefited from World Cup, SMG sales was increased by 92% year-on-year to reach RMB44.0 billion. Sports Scratch Cards sales was RMB15.8 billion, down by 5%, accounted for 9% of the total Sports Lottery sales.

System and Games Development Business

The Group's SGDB is an active participant in the provision of lottery systems and specialized equipment for both CTG and Scratch Cards products in China. During the year under review, our SGDB continued to deliver solid earnings and bring opportunity to the Group for innovation and expansion.

Welfare CTG Business

The Group's SGDB participates in the Welfare CTG business in China through Shenzhen Sinodata Technology Co Ltd ("Sinodata"). Sinodata is the leading lottery system and specialized equipment supplier for Welfare Lottery in China and has a long and proven track record of success in the field of lottery system and games development. During the year under review, Sinodata provided its professional services to 17 lottery provinces in China.

Over the past five years, market size of Welfare CTG in China increased at a compound annual growth rate of 20% and totaled RMB149.6 billion in 2014. To maintain its competitive position as a leading player in Welfare CTG market with the largest market share, Sinodata has striven to offer reliable products and services in supporting the development of both national games and regional high frequency games. Given the positive response from customers, the Group managed to identify and seize a great opportunity to secure a multi-year contract renewal with lottery authorities in 2014. The Group is looking forward to keep adding value to our partners and lottery players by enhancing their lottery buying experience.

The unmatched reliability of the Group's lottery services and its first-class innovation capacity are the important strategic elements to protect the integrity of lottery market and promote future business expansion. In its attempt to facilitate the development of Welfare CTG market, the Group commenced cooperation with financial institutions to develop the new channel for lottery distribution. During the year under review, the Group has participated in the design and provision of a comprehensive and specialized system solution for financial institutions to equip their various customer interfaces with lottery distribution functions, from ATMs and service counters at local branches to telephone and cyber banking portals.

Capitalizing on the extensive service network and an array of lottery solution services of Sinodata in Welfare CTG market, the Group's Welfare CTG business is set to maintain its leading position in the years ahead and benefit from the sustainable growth of this market segment.

Welfare Scratch Cards Business

The Group's SGDB involves in the validation and printing business of Welfare Scratch Cards in China. The Group has jointly controlled interests, through Beijing Guard Libang Technology Co Ltd ("Guard Libang"), in Welfare Scratch Cards validation services. Guard Libang is a 50:50 joint venture with Scientific Games Corporation ("Scientific Games"), the world's leading instant ticket system and games provider. Our strategic partnership with Scientific Games enables us to bring its expertise and technology know-how to the Scratch Cards market in China.

Through a cooperative venture with Shijiazhuang Offset Printing House, one of the three entities authorized to print for the Welfare Scratch Cards programs, the Group has involved in Welfare Scratch Cards printing business.

In 2014, total sales of Welfare Scratch Cards in the market increased by 0.2% to RMB18.59 billion. Performance of this market sector remained weak as its competition with other lottery products, in particular high frequency games, was becoming fierce.

In order to support the revitalization initiatives taken by lottery authorities, the Group's printing operations continued to offer different new game designs and managed to maintain its market share amid the challenging market.

Sports CTG Business

The Group's Sports CTG business involved the manufacturing and sales of CTG terminals to provincial Sports Lottery Centres across China serving the needs of traditional CTG sector and supporting the development of SMG. During the year under review, the Group continued to upgrade its model of CTG/SMG terminals to cater for the needs of latest market trend and industry development, and successfully achieved the target number of terminal shipments.

Distribution and Marketing Business

The Group's DMB division is a major participant in the downstream lottery operations in China. It has successfully established a comprehensive distribution platform consists of a widely diversified and recognized physical retail network and a best-in-class portfolio of electronic lottery distribution channels.

We pledged to provide reliable, efficient and innovative lottery services to address the needs of end consumers in lottery market and assist lottery authorities to promote and develop the Chinese Lottery market in sustainable manner.

During the year under review, the Group's DMB achieved satisfactory results on the back of its well diversified distribution channels. The Group's diversified business portfolio and distribution channels allow us to drive growth by capturing the tremendous growth potential we see in the Chinese lottery market while we can manage risk and challenge in the emerging market.

Cooperation Distribution Business

The Group's cooperation distribution business focuses on the distribution and sales of scratch cards through a physical lottery distribution network located throughout the major provinces in China. Under the cooperative model, we establish strategic partnerships with channel partners, entities and organizations that already had a widely diversified and recognized sales network located in selected prime locations. Our channel partners principally comprise chains of convenience store and supermarket, grocery and pharmacy chains, gasoline stations and post office. To date, the Group's DMB is one of the largest distributors for scratch cards in terms of sales value and number of point-of-sales established.

During the year under review, total sales of scratch card products in China was RMB34.34 billion, slightly decreased 2% year-on-year. The decline in scratch card sales reflected the increased competition between scratch card and other lottery products in particular high frequency games. Meanwhile, the strong performance of SMG also exerted considerable pressure on Sports scratch card sales by altering the consumer behavior.

Despite the challenging environment, scratch card market still accounted about 10% of the total lottery market. We have already adopted new strategy and streamlined distribution network to mitigate the decline in scratch card demand by revising and enhancing the operation efficiency of our distribution network. We remain positive about this market segment as the Group is well positioned to seize opportunities and benefit from revitalization measures initiated by lottery authorities going onwards.

Single Match Games Business

The Group's SMG business is conducted through our franchised SMG shops across 7 key provinces in China together with our strong presence on electronic platform. The Group operates a safe, reliable and comprehensive distribution platform to facilitate the development of SMG in China.

In 2014, total SMG sales in China grew 92% to RMB44 billion on the back of the successful World Cup. SMG sales generated during the World Cup period in China amounted to RMB12.9 billion representing a tremendous growth compared to RMB1.3 billion sales achieved during the 2010 World Cup four years earlier. Building on the well-established comprehensive distribution platform, the Group's SMG business harnessed the power of sport to drive growth and successfully expanded its customer base.

World Cup became a catalyst to fuel growth of SMG in China by introducing this lottery game to the public, allowing the lottery industry to identify a large group of sports enthusiasts. By adding excitement to sports events, this kind of unique lottery experience will continue to play a predominant role in the future development of SMG.

The well-organized and holistic approach of service innovation was another acceleration factor that drove performance in our SMG business. The Group has launched various promotion and ground-breaking services on www.okooo.com, which is one of the leading portal dedicated to lottery in China. Okooo has been successful in engaging and retaining SMG players before and after World Cup. We launched an innovative function on Okooo by providing incentive to users who share their own betting model which replaced the old-fashioned way to address insight of expert players. The unmatched level of innovation remains a source of our competitive advantage which strengthens our connection with customers.

SMG players are efficiently engaged and attached with electronic lottery distribution channels when they following sports, gathering information of games and placing bets. Building a strong presence in mobile and web distribution of lottery products remains a very important digital strategy for us to accelerate growth in our SMG business. Efforts in promoting the mobile channel and improvements on Okooo resulted in a strong growth of customer base during the World Cup period, which was one of the key objectives for the year under review.

During the year under review, the Group has strategically increased its interest in Okooo operations by acquiring an additional 6.6% interest in 澳客之家(北京)科技股份有限公司. This transaction further strengthened the Group's competitive advantage over the online lottery distribution channel and better positioned the Group to take full advantage of the rapid growth of SMG in China.

Mobile Lottery Business and Mobile Electronic Lottery Platform

The Group's mobile lottery business consists of two generations of mobile technology. The traditional mobile lottery business provides subscribers with the latest lottery information and allows them to purchase CTG tickets through SMS text messaging while the current generation Mobile ELP utilize mobile app to buy lottery tickets and receive latest lottery information. During the year under review, contribution from the SMS channel further diminished as user continued to migrate from traditional mobile channel to Mobile ELP.

In the light of the development of mobile communication with increasing penetration and advancement of mobile devices, the Group's DMB has developed and launched its Mobile ELP for Welfare Lottery since second half of 2012 which provides technological breakthrough to improve the accessibility of lottery products and creates an efficient channel for lottery authorities to remain in touch with players.

The Group's Mobile ELP for Welfare Lottery offers a multi-functional back-end system with convenience interface to facilitate the lottery distribution of provincial lottery centers over the mobile channel. In terms of user experience, the Mobile ELP improves the convenience of lottery purchase by connecting the players directly to the centralized system of provincial lottery centre, enabling a safe and reliable lottery buying experience.

In December 2014, the Group entered into contract with Guangdong SLAC to develop a Mobile ELP for the implementation of paperless lottery distribution channels, including telephone and mobile in Guangdong Province. The development of Mobile ELP for Guangdong SLAC is one of the first of its kind for Sports Lottery in China. It also represents another important step forward for the Group's Mobile ELP development and a firm recognition of the supreme capabilities and reliability of the system itself. The Group is confident that the collaboration with Guangdong SLAC will result in great success and we will continue to provide customers with high-value solutions to support the industry development and drive future growth.

Outlook

Looking into the future, the operating environment in the Chinese lottery market will remain challenging as the change in consumer demand and modification of regulatory framework continue in the years ahead. But most importantly, these changes will bring new opportunities for the Group and we are proud to have established a solid foundation to capitalize on any opportunities which may arise. The Group has grounded its success in the ability to adapt and move in the constantly evolving Chinese lottery market. In 2015, we will continue to pursue our long-term objectives in order to capture the tremendous growth potential we see in the market.

Over the years, our relentless focus on innovation and diversification gives us strength in driving great results across different business segments and laying a solid foundation for future development. Going forward, the Group will consistently maintain its nimble and prudent approach in making the right choices to invest in areas with the highest potential return which will help us to drive growth and manage risk. The ability to see the direction of change in the lottery industry and to take it into account while enhancing our operations remains a winning strategy that allows us to deliver profitable and sustainable growth year after year.

As the Chinese lottery market posted a record-breaking results in 2014 with total lottery sales amounted RMB382.4 billion, it has also generated a new record amount of State Lottery Welfare Fund which supports numerous social welfare programs and promotes sports development in China. The issuance of lottery has no doubt become one of the crucial means for government to collect funds for good causes and the community.

In late 2014, National Audit Office (“NAO”) commenced a special inspection in different provinces to investigate the allocation of lottery funding. We believe that it is a step forward in the right direction to increase transparency of the operation of lottery funding which is significant in amount with growing importance. It is expected that the assessment of lottery funding usage conducted by NAO may encourage the establishment of a more disciplined approach of lottery management system which improves the image of lottery in the eyes of the general public.

More recently, Ministry of Finance, Ministry of Civil Affairs and General Administration of Sport of China have jointly issued the “Circular on Self-examination and Self-correction on Unauthorized Lottery Sale on the Internet” in January. This circular mentioned that the respective bureau at the provincial level will carry out self-examination with the focus over online lottery distribution channels. In support of and cooperation with provincial lottery centers on the self-examination program and take potential launch of the new model/technology of internet lottery operations into consideration, the Group has made temporary adjustment on business operations across our various distribution platforms in early March 2015.

In view of the regulatory events happened during the recent months in China, it is believed that it will clarify the code of conducts and standards of operations in the internet lottery market which will ensure transparency of the control system, and eliminate malpractices in the industry. In addition, this will further improve the transparency on the control and management of lottery funds and ensure best practices for both the regulators and market participants. Such moves will also balance the growth of lottery distribution over the various distribution platforms including both physical and paperless means like mobile electronic lottery platform. More importantly, it will further speed up market consolidation and the process of long-awaited licensing. We know that the process might bring short-term uncertainties to the lottery market and temporary disruption on our business operations, but it will facilitate an orderly and healthy development of the industry in a sustainable manner and hence reaccelerate growth in the lottery market in long run.

While the Group continues to pursue for its long term growth strategies, we are also structured and prepared for the regulatory development. Capitalizing on our comprehensive distribution platform which consists of an extensive physical network, a best-in-class internet platform and a well recognized mobile/telephone platform (including call centers), together with a well diversified business portfolio which covers the whole value chain of the industry and almost all kind of lottery products, we are well placed in the lottery industry to manage our business in an opportunistic manner to mitigate impacts caused by regulatory development and change in operations.

Our business will only flourish when the lottery market manages to demonstrate its credibility and earn trust from consumers by strengthening its integrity, reliability and security of lottery products and services. Acceleration in market consolidation and continuous improvement in regulations, as part of the broad-based and extensive reform measures initiated by the lottery authorities, will be key drivers in promoting China lottery industry's healthy, sustainable growth. We are aligned with authorities to achieve a smooth transition toward the digital era of lottery market.

The Group will remain steadfast in our long-term focus to leverage the power of electronic lottery distribution channels. The tremendous growth potential of these channels has been once again put in the spotlight by the World Cup in Brazil last year. Over the past recent years, we witnessed consumer demand shifting towards the electronic channels as SMG is the kind of game that is ideally suited in the digital environment. Advances in technology and the rapid rise of mobile devices are driving a fundamental change in lottery buying experience, creating opportunities for us to capture a new community of young, tech-savvy customers. We recognize the important role of electronic lottery distribution channels plays in the future development of lottery market and that is why we have been so focused on expanding our strategic presence over the electronic lottery distribution channels.

In mid-March this year, the Chinese government published its overall reform plan to boost the development of soccer in China. The reform plan, passed by China's central reform group showed a determination to popularize the sport across the country and ultimately promote the level of national team. The plan outlines a reform that will involve almost every aspect of the

sports, including professional clubs, leagues, national teams and grassroots football. The plan also aims to increase the amount of funding from State Lottery Welfare Fund going toward the development of soccer and plan to establish lottery games which bet on the results of Chinese Football League. We believe that the reform plan will provide strong stimulus to the lottery market as the lottery market has already witnessed a strong performance of SMG sales early this year when the Chinese national team reached the Asian Cup quarter-finals. The inclusion of local soccer games which are familiar to lottery players in the country should be beneficial to both the development of soccer and lottery market in China.

Okooo, our instrumental online lottery platform acquired at the end of 2011, has been relentlessly demonstrated its ability to add excitement to sports events for sports enthusiasts and to deliver unmatched functions for expert players. Going forward, we will continue our focus to expand our competitive advantage over this platform, and further increase our investment on online lottery platform to seize the growth opportunities in this area.

Giving back to the community has always been one of the core purposes of lottery. Similarly, we believe that our focus on serving the community will allow us to bring inspiration to the lottery market and see ever-expanding opportunities for growth. The Group will explore strategic collaboration with national nonprofit organization in creating new job opportunities and developing innovative lottery distribution model by leveraging the Group's existing and proven lottery technologies. New lottery products and the evolution of lottery distribution channels will remain the golden key for lottery market to achieve sustainable growth. We believe that these two elements will bring Chinese lottery market to the next level in future by expanding the size of lottery players, hence an increased lottery spending.

We have established a strong presence and built our competitive edge across the industry in terms of a large geographic coverage, wide variety of products offering and advanced technological capability. It provides us the unprecedented insights to discover breakthrough which helps to overcome challenges. Looking into 2015 and beyond, we will continue to sharpen our focus on delivering revolutionary innovation to new model of lottery distribution. While we try to meet the needs of our customers, we will also tap into the unseen market opportunities by providing impetus to accelerate market growth.

Looking ahead, we remain optimistic about the long-term growth prospect of China's lottery market and we are very positive on the company's long-term business and earnings outlook. Most of all, we have successfully established our lottery operations in China as one of the leading comprehensive lottery service providers with strategic presence throughout the whole value chain of the Chinese lottery market. We believe with the solid foundation of our business and unparalleled market position in the industry, we are confident to further enhance the Group's long-term growth prospect and shareholder value through dividend payout and share repurchase program. Being a major participant of the lottery industry, supporting the ongoing development of lottery in China will always be at the heart of our mission. The Group will continue to make significant contributions for sustainable development of the industry which supports the good causes that benefit the general public in China.

FINANCIAL REVIEW

Results

For the year ended 31 December 2014, the Group recorded a turnover of HK\$1,687,953,000 (2013: HK\$2,165,474,000), representing a decrease of 22% over that of the last year. The decrease was mainly attributable to the Group's lottery business in China.

Loss attributable to equity shareholders for the year was HK\$103,692,000 (profit attributable to equity shareholders for 2013: HK\$868,982,000). The loss per share was 1.12 HK cents (earnings per share for 2013: 10.25 HK cents). Diluted loss per share for the year ended 31 December 2014 is same as the basic loss per share as both the share options and the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share (fully diluted earnings per share for 2013: 9.58 HK cents).

The Board recommended a final dividend of 0.80 HK cent per share (2013: 1.88 HK cents per share). Together with the paid interim dividend of 2.30 HK cents per share (2013: 1.70 HK cents per share), the Group's total dividend for the year ended 31 December 2014 amounts to 3.10 HK cents per share (2013: 3.58 HK cents per share).

Liquidity, Financial Resources and Funding

At 31 December 2014, the Group's total equity amounted to HK\$6,140,106,000 as compared to HK\$6,222,672,000 at the end of the previous year.

At 31 December 2014, the Group had cash reserves of approximately HK\$1,293,032,000 (2013: HK\$1,146,266,000), which included approximately HK\$332,000 (2013: HK\$336,000) of clients' funds that were kept in designated segregated bank accounts.

In 2011 and 2012, the Company issued 6% convertible bonds due 2016 in principal amount of HK\$964,700,000 and HK\$429,000,000 respectively (together, the "2016 Convertible Bonds"). Each 2016 Convertible Bond will be convertible into fully paid ordinary shares of HK\$0.01 each (the "Shares") of the Company at the applicable conversion price of HK\$0.5700 per Share. The 2016 Convertible Bonds bear interest at the rate of 6% per annum payable semi-annually in arrears. During the year under review, conversion rights attached to the 2016 Convertible Bonds of HK\$618,100,000 in principal amount had been exercised by the holders thereof. At 31 December 2014, the principal amount of the 2016 Convertible Bonds outstanding was HK\$347,700,000 (2013: HK\$965,800,000).

During the year under review, the Company issued 4.5% convertible bonds due 2019 in principal amount of HK\$1,900,000,000 (the "2019 Convertible Bonds"). Each 2019 Convertible Bond will be convertible into fully paid ordinary Shares of the Company at the applicable conversion price of HK\$1.3900 per Share. The 2019 Convertible Bonds bear interest at the rate of 4.5% per annum payable semi-annually in arrears. During the year under review, there was no conversion of the 2019 Convertible Bonds into Shares by the bondholders and no redemption of the 2019 Convertible Bonds made by the Company. At 31 December 2014, the principal amount of the 2019 Convertible Bonds outstanding was HK\$1,900,000,000.

The gearing ratio as at 31 December 2014 was 33.09% (2013: 15.51%). The gearing ratio was derived by dividing the total borrowings including convertible bonds, obligations under finance leases and bank borrowings of approximately HK\$2,031,895,000 (2013: approximately HK\$965,273,000) by the amount of total equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 2,082% (2013: 1,474%).

The Group had outstanding bank borrowings as at 31 December 2014 of HK\$87,500,000 (2013: HK\$70,656,000). The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Group's land and building were pledged to secure the bank borrowings. We expect that all these borrowings will be repaid by internal generated funds.

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

Pledge of Assets

At 31 December 2014, the Group's land and building with total market value of approximately HK\$87,250,000 (2013: approximately HK\$86,795,000) is pledged to banks to secure the bank borrowings granted to the Group.

At 31 December 2013, trade receivables of approximately HK\$6,553,000 (2014: Nil) is pledged to a bank to secure general banking facilities granted to the Group.

Share Capital

106,000,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

1,049,436,773 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of conversion rights attached to the 2016 Convertible Bonds. Share premium increased by approximately HK\$647,769,000 accordingly.

58,195,540 and 82,570,203 new shares of HK\$0.01 each were issued and allotted by the Company during the year pursuant to the scrip dividend scheme in respect of the final dividend for the year ended 31 December 2013 and the interim dividend for the six months ended 30 June 2014 respectively.

67,950,000 shares of HK\$0.01 each were repurchased by the Company and cancelled during the year.

As at 31 December 2014, the total number of issued shares of the Company was 9,960,024,710.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2014.

2016 Convertible Bonds

The Company issued the 2016 Convertible Bonds in 2011 and 2012 respectively which shall, upon conversion, be convertible into fully paid Shares at an initial conversion price of HK\$0.6175 per Share. Pursuant to the adjustment provisions in the terms and conditions of the 2016 Convertible Bonds, (i) adjustment has been made to the conversion price of the 2016 Convertible Bonds from HK\$0.6175 per Share to HK\$0.6100 per Share with effect from 19 June 2013 as a result of the approval and declaration of the final dividend for the year ended 31 December 2012; (ii) further adjustment has been made to the conversion price of the 2016 Convertible Bonds from HK\$0.6100 per Share to HK\$0.6000 per Share with effect from 31 October 2013 as a result of the declaration of the interim dividend for the six months ended 30 June 2013; (iii) further adjustment has been made to the conversion price of the 2016 Convertible Bonds from HK\$0.6000 per Share to HK\$0.5800 per Share with effect from 19 June 2014 as a result of the approval and declaration of the final dividend for the year ended 31 December 2013; and (iv) further adjustment has been made to the conversion price of the 2016 Convertible Bonds from HK\$0.5800 per Share to HK\$0.5700 per Share with effect from 31 October 2014 as a result of the declaration of the interim dividend for the six months ended 30 June 2014.

During the year ended 31 December 2014, conversion rights attached to the 2016 Convertible Bonds of HK\$618,100,000 in principal amount had been exercised by the holders thereof. As at 31 December 2014, the principal amount of the 2016 Convertible Bonds outstanding was HK\$347,700,000 (2013: HK\$965,800,000). The 2016 Convertible Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the 2016 Convertible Bonds remaining outstanding is HK\$347,700,000. Each 2016 Convertible Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$0.5700 per Share upon conversion.

Pursuant to the terms and conditions of the 2016 Convertible Bonds, the Company may at any time after 28 September 2014 and prior to the maturity date of the 2016 Convertible Bonds, and subject to the provisions of the terms and conditions thereof, redeem in whole, or in part, the 2016 Convertible Bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption.

Issue of 2019 Convertible Bonds

On 9 April 2014, the Company entered into a subscription agreement with Daiwa Capital Markets Hong Kong Limited and Merrill Lynch Far East Limited whereby the Company agreed to issue up to HK\$1,900,000,000 in aggregate principal amount of 4.5% convertible bonds due 2019 at the issue price of 100% of the principal amount thereof. The 2019 Convertible Bonds shall, upon conversion, entitle the holders thereof to subscribe for the Shares at an initial conversion price of HK\$1.4070 per Share.

The total issue size of the 2019 Convertible Bonds was HK\$1,900,000,000 in principal amount, comprising:

- 1) Firm Bonds of HK\$1,200,000,000 in principal amount issued on 17 April 2014;
- 2) Option Bonds of HK\$400,000,000 in principal amount issued on 17 April 2014; and
- 3) VC Bonds of HK\$300,000,000 in principal amount issued on 8 July 2014.

The total gross proceeds from the issue of the 2019 Convertible Bonds were HK\$1,900,000,000, which shall be used to finance the Group's business expansion through organic growth and potential joint ventures and acquisition opportunities that may arise in the future and for general corporate and working capital needs.

The 2019 Convertible Bonds are currently listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the 2019 Convertible Bonds and the principal terms thereof are set out in the Company's announcements dated 10 April 2014, 17 April 2014, 13 May 2014 and 8 July 2014 respectively, and the Company's circular dated 23 May 2014.

Pursuant to the adjustment provisions in the terms and conditions of the 2019 Convertible Bonds, adjustment has been made to the conversion price of the 2019 Convertible Bonds from HK\$1.4070 per Share to HK\$1.3900 per Share with effect from 31 October 2014 as a result of the declaration of the interim dividend for the six months ended 30 June 2014.

There was no movement in the 2019 Convertible Bonds since issuance and during the year ended 31 December 2014.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

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

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

Deconsolidation of a Subsidiary

In January 2015, a self-inspection program was carried out by provincial lottery centers in China after the Ministry of Finance and the Ministry of Civil Affairs and General Administration of Sport of China jointly issued the "Circular on Self-examination and Self-correction on Unauthorized Lottery Sale on the Internet 《關於開展擅自利用互聯網銷售彩票行為自查自糾工作有關問題的通知》" (the "Circular"). As a result, the Group's internet based lottery distribution unit has temporarily suspended its internet lottery distribution services effective from March 2015 (the "Suspension"). It is uncertain when the operation of the Group's internet based lottery distribution unit will resume.

Having regard to the recent developments affecting the lottery market and the internet lottery distribution in China, including the issuance of the Circular and the Suspension, the Board had assessed the Group's control over one of its indirectly non-wholly owned subsidiaries that was established in the People's Republic of China in September 2013 (the "PRC Company"). The PRC Company is principally engaged in the provision of internet lottery distribution services in China.

The management is of the view that in practice, the Group no longer has the ability to unilaterally direct the relevant activities of the PRC Company. Hence, the Board resolved to deconsolidate the PRC Company and treat it as a long term investment of the Group.

The PRC Company has been reclassified as an available-for-sale financial asset in the Group's consolidated management accounts from 1 January 2014 onwards. The Company has considered the adjustment that would have been made to the Group's consolidated management accounts for the year ended 31 December 2013, and concluded that the financial effect of those adjustments would be immaterial. The Board has therefore resolved to reclassify the PRC Company as an available-for-sale financial asset from 1 January 2014 onwards rather than to make corresponding adjustments.

The PRC Company remains a long term investment of the Group.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2014.

Human Resources

As at 31 December 2014, the Group had 1,318 employees.

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

FINAL DIVIDEND

The Board declared an interim dividend of 2.30 HK cents per share in respect of the year ended 31 December 2014 which were paid on 10 December 2014. The Directors recommended, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "2015 AGM"), the payment of a final dividend of 0.80 HK cent per share in respect of the year ended 31 December 2014. The final dividend will be payable in scrip form with a cash alternative (the "Scrip Dividend Scheme") to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 19 June 2015. A circular giving full details of the Scrip Dividend Scheme, where available, together with an election form will be sent to shareholders as soon as practicable. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued pursuant to the Scrip Dividend Scheme. Share certificates for the scrip shares and/or dividend warrants are expected to be sent to shareholders on or around Friday, 31 July 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2015 AGM to be held on Thursday, 11 June 2015, the register of members of the Company will be closed from Wednesday, 10 June 2015 to Thursday, 11 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2015 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 9 June 2015.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 18 June 2015 to Friday, 19 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 June 2015.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the code provisions (the "Code Provision(s)") under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except the following deviations:

Under the Code Provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have a Chairman nor a Chief Executive. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and operations. The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a Chairman of the Board and a Chief Executive if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the Code Provision A.4.1 non-executive directors should be appointed for a specific term, subject to re-election. Currently, the independent non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

Further information is set out in the Corporate Governance Report contained in the 2014 annual report.

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

During the year ended 31 December 2014, the Company repurchased a total of 67,950,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$53,842,500 pursuant to the general mandates granted by the shareholders of the Company at the annual general meetings of the Company held on 11 June 2013 and 11 June 2014 respectively. Details of the repurchases of Shares were as follows:

Month/Year	Total number of ordinary shares repurchased	Repurchase consideration per Share		Aggregate consideration (expenses excluded) <i>HK\$</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
May 2014	20,125,000	0.790	0.780	15,837,500
September 2014	<u>47,825,000</u>	0.800	0.780	<u>38,005,000</u>
	<u>67,950,000</u>			<u>53,842,500</u>

All the repurchased Shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected with a view to benefit shareholders of the Company as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2014, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements for the year ended 31 December 2014.

SCOPE OF WORK OF TING HO KWAN & CHAN

The figures in respect of the preliminary announcement of the Group’s annual results for the year ended 31 December 2014 have been agreed by the Group’s auditor, Ting Ho Kwan & Chan (“THKC”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by THKC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by THKC on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2014 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aplushk.com/clients/00555rexlot/index.html>) respectively. The 2014 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 31 March 2015

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