AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

2012 ANNUAL REPORT

CHARACTERISTICS OF GEM

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

This report, 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 report 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 herein or this report misleading.

Contents

FORTU

We provide the PRC lottery market with fully integrated professional game software, hardware and marketing consultancy services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.


UNE

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Sun Ho *(Chairman & CEO)*
Robert Geoffrey Ryan
Bai Jinmin
Liang Yu

Non-executive Director

Yang Yang

Independent Non-executive Directors

Kwok Wing Leung Andy
Wang Ronghua
Hua Fengmao

AUTHORISED REPRESENTATIVES

Sun Ho
Wong Wai Sing

COMPANY SECRETARY

Wong Wai Sing

COMPLIANCE OFFICER

Sun Ho

AUDIT COMMITTEE

Kwok Wing Leung Andy *(Chairman)*
Wang Ronghua
Hua Fengma

REMUNERATION COMMITTEE

Kwok Wing Leung Andy *(Chairman)*
Wang Ronghua
Hua Fengmao

NOMINATION COMMITTEE

Kwok Wing Leung Andy *(Chairman)*
Wang Ronghua
Hua Fengmao
Sun Ho

CORPORATE GOVERNANCE COMMITTEE

Sun Ho
Wong Wai Sing

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 3912, 39th Floor, Tower Two,
Times Square, Causeway Bay,
Hong Kong

Tel: (852) 2506 1668
Fax: (852) 2506 1228

BANKERS

China Merchants Bank
China Minsheng Banking Corp., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
UBS AG
Citibank, N.A.

SHARE REGISTRAR IN BERMUDA

HSBC Bank Bermuda Limited
6 Front Street, Hamilton HM 11
PO Box HM 1020
Hamilton HM DX,
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
26 Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

STOCK CODE

8279

WEBSITE

http://www.agtech.com

Definitions

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"Board"	means the board of Directors
"Bye-laws"	means the bye-laws of the Company
"CEO"	means chief executive officer
"Company" or "AGTech"	means AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares have been listed on GEM
"Director(s)"	means the director(s) of the Company
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on GEM
"GOT"	means 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) (formerly known as 北京長城高騰信息產品有限公司), a company incorporated in the PRC with limited liability and its 100% equity interest is held by the Group
"Group"	means the Company and its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Macao"	means the Macao Special Administrative Region of the PRC
"PRC" or "China"	means the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macao and Taiwan
"province(s)"	means province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and "provincial" shall be construed accordingly
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	means the share option scheme of the Company adopted on 18 November 2004
"Share(s)"	means ordinary share(s) of HK$0.002 each in the share capital of the Company

Definitions

"Shareholder(s)"	means holder(s) of the Share(s)
"SLAC(s)"	means China Sports Lottery Administration Centre(s)
"Slivercreek"	means 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and its 100% equity interest is held by the Group
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Subsidiary"	means a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Notes:

1. *In this report, the exchange rate of HK$1.2302 to RMB1.00 has been used for reference only.*

2. *The English translation of the Chinese company names in this report are included for reference only and should not be regarded as the official English translation of such Chinese company names.*

3. *In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.*

* *For identification purpose only*

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EALTH

We liaise closely with the PRC regulatory authorities and do our utmost to help them develop a healthy lottery industry. We also assist them to evaluate new forms of legal and regulated lottery avenues with a view to cracking down on the illegal gambling market.

Corporate Profile

ABOUT AGTECH

Vision: Providing New and Exciting Sports Gaming Entertainment to the Chinese Community

China's First and Only Virtual Sports Betting System and Game Provider and the Largest Sports Lottery Terminal Manufacturer/ Supplier in China

The Group is the leading integrated gaming company in China's sports lottery market. It is principally engaged in (i) gaming technologies (game software, systems, hardware and terminals); (ii) lottery management; and (iii) online and mobile lottery. The Group is committed to applying international best practice and advanced technologies to the lottery industry in various areas such as lottery systems, lottery hardware, lottery/betting games, internet and mobile phone distribution and systems, wireless network and streaming media, thereby providing China's lottery authorities and millions of lottery players in China with professional, integrated lottery services.

Over the past six years, the Group has demonstrated a strong track record of delivery, successfully building a uniquely balanced, complementary suite of businesses that now occupy leading positions in the key verticals of the Chinese sports lottery market. This growth is testament to the

Corporate Profile

quality and depth of the Group's relationships with industry regulators and officials at both a national and provincial level, as well as the quality of its management, employees, technology and partners.

Through Asia Gaming Technologies Limited ("AGT"), the Group's joint venture with Ladbroke Group, the Group has developed and successfully launched China's only nationally-approved virtual fixed odds sports betting game, "Lucky Racing".

The Group has a team of approximately 200 professionals and the footprint of its sports lottery business now covers 80% of the provinces and municipalities across China. The Group is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

INDUSTRY OVERVIEW

China: A rapidly growing, under-penetrated lottery and wagering market

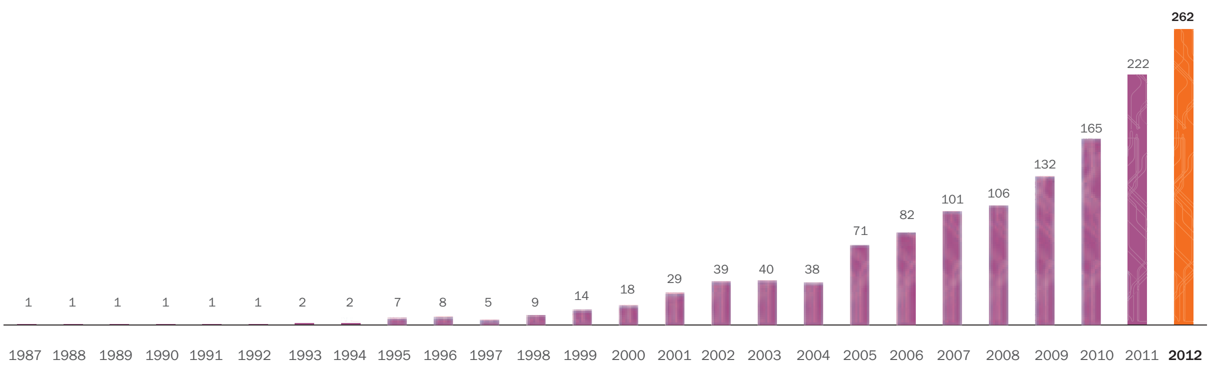
The regulated lottery industry in China has flourished since it was first launched in 1987. During this period, the products on offer have gradually expanded from the original weekly draw lotto games to comprise today's comprehensive range which as well as weekly draw lotto products also includes high frequency games, scratch cards, video lottery terminals ("VLTs"), sports betting and virtual sports betting. Overall, lottery sales have increased at a compound annual growth rate of 33% between 1987 and 2012. This extraordinary growth has enabled the two permitted lottery operators in China, the Welfare Lottery and the Sports Lottery, to provide significant funding for good causes such as financing social welfare programs in the country and building community sports facilities.

2012 was another record year for the Chinese lottery industry, with combined sales from Welfare and Sports of approximately RMB262 billion, implying an annual growth rate of 18%. The fact that the regulated lottery penetration rate in China is comparatively low by international standards, coupled with the fact that the illegal gambling market is estimated to be approximately 10-20 times that of the legal lottery market, strongly suggests that there is enormous potential for future growth in China's legal lottery market.

In order to adequately protect the vulnerable, reduce potential for corruption and to increase the funding available for good causes, the authorities in China are committed to channeling the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network. This process is already well underway, which explains the growth performance of the regulated market in the past several years. Through further initiates such as continued increases in prize payout ratios, the introduction of new rapid-draw lottery and virtual sports betting games, further expansion of the sports betting network and the planned opening of online and mobile distribution channels, the Chinese authorities will make the regulated lottery even more competitive and appealing and secure its continued rapid growth.

For further details on recent industry development, please refer to the "Management Discussion and Analysis" section on pages 46 to 55.

China's Regulated Lottery Sales: 1987-2012 (RMB billion)



Source: PRC Ministry of Finance

Corporate Profile

GAMING TECHNOLOGIES

Virtual Sports Betting

Supplier of China's First Rapid-draw Virtual Sports Lottery Platform and Game: "Lucky Racing"

AGT, our 51%-owned joint venture with Ladbroke Group (one of the world's largest sports betting companies) has successfully completed the trial of Lucky Racing Game in Hunan province. The game is no longer considered to be in a trial phase but is fully operational. Having previously achieved all requisite national approvals, AGT is working with the national sports lottery authorities to integrate Lucky Racing game and its underlying system into the national platform in advance of a planned national rollout. Having successfully launched the first legitimate rapid-draw virtual sports lottery platform and game in China, AGT is now close to introducing another approved virtual game into one of China's leading provinces. Subject to the introduction of the appropriate legislation, we believe that both Lucky Racing and our planned second virtual game are likely to prove highly popular as internet and mobile applications in China.

Gaming Hardware and Technology Development

GOT: Leading Terminal Provider in China Sports Lottery; Terminal Provider to International Markets

With a domestic market share of more than 50%, GOT is a leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery.

China's sports lottery market is expected to enter a significant terminal replacement cycle in the coming months, following the conclusion of the terminal supplier selection and evaluation process that was recently undertaken by the National Sports Lottery Administration Centre. GOT's new range of terminals were extensively vetted during the process and are now fully approved. We expect that our new M6 Smart Terminal, C8 Terminal and the A210 Portable Terminal will play leading roles in the keenly anticipated replacement cycle.

2012 was a milestone year for GOT with the announcement of our first international order. The sale of over 500 of GOT's new generation C8 terminals to South Africa's Gold Circle (PTY) Limited is expected to be the first of many international orders for GOT. The Group is in active discussions with a number of other potential international customers and distributors.

GOT plans to broaden its product spectrum and is currently developing a range of VLTs suitable for domestic and international markets. The Group's international strategic partners for this and our other projects are amongst the world's foremost operators in their respective fields.





Corporate Profile

LOTTERY MANAGEMENT

Fully Integrated Solution Provider for China's Sports Lottery

AGTech has been providing fully integrated lottery solutions to China's provincial sports lottery authorities since early 2007. In this time, we have provided a wide range of products and services to our provincial clients to assist them in growing sales in a controlled, efficient and responsible manner. Our services include lottery management/consulting and access to international technologies and best practice, as well as the operational management of approximately 1,200 lottery retail outlets.

ONLINE AND MOBILE LOTTERY

Positioned to Capture Opportunities from New Distribution Channels: Systems/Distribution

The Group continues to closely monitor policy development with respect to the government approval of lottery sales via internet and mobile. In Silvercreek, the group's wholly-owned subsidiary, we control one of the most competitive mobile lottery service providers in China, capable of providing lottery organisations with comprehensive mobile betting solutions.

The provincial mobile systems trials that are underway or being prepared in the welfare and sports lotteries are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. Thanks to Silvercreek's valuable PRC internet content provider and PRC telecom service provider licenses, as well as its track-record and relationships in the lottery industry, the Group is fully qualified to apply for mobile and internet system and distribution licenses as and when they become available. The Group intends to directly participate in this exciting development via the provision of mobile systems and as a distributor. Sales of the Group's approved games, such as Lucky Racing, should also benefit from any introduction of a legitimate remote distribution channel in China.

RESPONSIBLE LOTTERY

AGTech advocates responsible lottery practices. Although we believe that the vast majority of China's lottery players participate on a recreational basis, we work hard to ensure that problem gaming is prevented.

AGTech works with the lottery authorities to implement responsible lottery measures (for example, prohibition of credit betting and taking bets from underage players). Responsible lottery information is available at lottery shops in China and can be found in product promotion materials. From time to time, AGTech participates in public educational programs for lottery customers, including the provision of counseling services.

Corporate Profile

CORPORATE VALUES

AGTech's philosophy is founded on five core values: "FORTUNE", "HEALTH", "HAPPINESS", "LUCK" and "RESPONSIBILITY". Together they form the color scheme of our logo.

Fortune – We provide the PRC lottery market with fully integrated professional game software, hardware and lottery management services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.

Health – We liaise closely with the PRC regulatory authorities and do our utmost to help them develop a healthy lottery industry. We also assist them to evaluate new forms of legal and regulated lottery avenues with a view to cracking down on the illegal gambling market.

Happiness – As a form of entertainment, lotteries are growing in popularity among the Chinese citizens, and we are privileged to bring lottery players happiness and an exciting pastime.

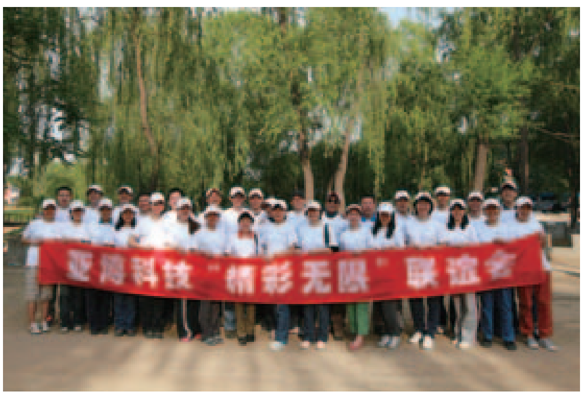
Luck – Lottery wins are perceived as a token of "luck", and it is one of our core corporate values to bring such luck to China's lottery players and society through our products.

Responsibility – We strive to actively contribute to the development of a responsible lottery industry which will raise important funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we are the sponsor of a wide range of sports events.

CONTRIBUTING TO SOCIETY

AGTech is committed to promoting healthy and steady development of China's lottery industry. In recent years, the Group has been working on several charity and sports projects such as Helping the Poor Children in Yunnan Province, Sponsoring Shanghai Youth Girls Soccer Team, AGTech Cup Olympic Photography Competition, Sponsoring Anhui Huangshan Martial Arts Competition Tournament, as well as AGTech 15th He Long Cup Golf Celebrity Invitation. In the future, we shall continue to work closely with regulatory authorities and do our best to help the government evaluate new forms of legal and regulated avenues, with a view to fighting illegal gambling and raising funds for sports and welfare projects.

AGTech is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA). We will work closely with other members to ensure healthy and stable development of the Asian and global lottery markets.



Corporate Profile

EXCELLENT TEAM

Professional and Solid Management Team

Having recognised that talents are assets to our company, AGTech possesses talented employees who are experienced in our industry and other professional areas. We provide employees with good working environment, competitive salaries and extensive platforms for them to showcase their capabilities. We will continue to streamline our incentive scheme to stimulate employees' initiative and creativity.

Currently, AGTech has approximately 200 professionals with qualifications in lottery, I.T. and other specialised fields. With such a strong team, it enables AGTech to build a solid business foundation and to achieve breakthroughs in the future.

FOOTPRINT OF OUR BUSINESS

The footprint of our business covers over 80% of the provinces and municipalities across China. AGTech has built up a comprehensive sales and after-sales network throughout the country.

HAPPI

As a form of entertainment, lotteries are growing in popularity among the Chinese citizens, and we are privileged to bring lottery players happiness and an exciting pastime.

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Chairman's Statement

Dear Shareholders,

2012 has been another extremely important year for the Group and has been marked by some highly significant achievements.

In our Gaming Technologies division, 2012 saw China's first and only, nationally-approved rapid-draw virtual sports lottery system and game, Lucky Racing, operate successfully for an entire calendar year, in so doing it moved from its trial phase to being fully operational and accepted. Lucky Racing, operating out of just one province and on average from fewer than 1,500 locations, accounted for 1% of all sports lottery sales nationally. Sales of the game accounted for more than one third of the entire sports lottery market in Hunan, providing the catalyst for Hunan province's growth out-performance as well as confirming the unrivalled popularity of the game and its enormous national potential. In the same division, domestically, GOT had a very solid year, whilst laying the ground-work to retain its status as an approved supplier in the latest multi-year China sports lottery supplier selection process with its trio of next generation machines, the M6 Smart Terminal, C8 Terminal and the A210 Portable Terminal. The recent conclusion of this selection process saw GOT named as an approved supplier and is expected to herald a fresh replacement cycle in China. Perhaps even more notably, GOT also inked its first ever international terminal sales agreement with a prominent South African wagering group. The announcement of GOT's inaugural overseas deal created history since it marked the first ever international lottery hardware sale by a Chinese company.

While sports lottery sales were robust in 2012, and certainly continued to out-strip gross domestic products (GDP) growth, the annual increase of 18% represents a slower pace of expansion than in recent years. Although there are a number of market specific, reversible factors that contributed to this reduced pace of growth, notably the difficulties in the scratch card segment, we believe that this trend will lead to an increased pace of regulatory progress in the lottery market in terms of the approval and roll-out of new products as well as the development of new, remote distribution channels. An increased focus on such areas would be extremely positive for the Group, and we would expect our Virtual Sports, GOT as well as Online and Mobile Lottery businesses in particular to benefit significantly from such "tail-winds".

During the financial year under review, there was further improvement in the Group's financial performance. Thanks to the contribution from GOT, the revenue and gross profit of the Group increased significantly to approximately HK$229,300,000 (2011: approximately HK$111,300,000) and approximately HK$101,600,000 (2011: approximately HK$73,500,000), respectively.

Chairman's Statement

The Board believes that 2013 will be a year of growth for the Group. Firstly, the Group expects to launch a new, virtual fixed odds sports betting game in one of China's leading provinces in the relatively near future, part of a planned pipeline of approved, exciting new games for the Chinese sports lottery market. Secondly, as part of its ongoing cooperation with the national sports lottery with respect to "Lucky Racing", the Group expects the final technical hurdle to national rollout of this game to be removed during the course of this year. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Finally, in the GOT division, the Group will capitalise on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLTs.

As a group with a strong sense of corporate and social responsibility, AGTech will continue to live by its core corporate values of enriching society through "Fortune", "Health", "Happiness", "Luck" and "Responsibility". In addition to developing games that provide responsible lottery entertainment to the public, we will respond proactively to the possible social problems arising from obsession with lottery. Since 2007, we have implemented a series of responsible lottery measures to provide all lottery players with information and counseling on responsible lottery, with a view to ensuring healthy and steady growth for China's lottery industry. We will continue to sponsor charity and sports events in China so as to fulfill our corporate and social responsibility objectives and contribute to the community.

Last but not least, I would like to express my heartfelt gratitude to all of our colleagues for their dedication and hard work. My warmest thanks also go to our board members, management team, Shareholders, business partners and customers for their indispensable contribution and continuing support to AGTech. I believe that AGTech has a very bright future and I look forward to your continued trust and support as we deliver this bright future, together.

Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 21 March 2013

LUCK

Lottery wins are perceived as a token of “luck”, and it is one of our core corporate values to bring such luck to China’s lottery players and society through our products.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

The Company has adopted the applicable code provisions and certain recommended best practices in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (the "Code") (effective from 1 April 2012) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code in different respects, including but not limited to:

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors at all times;
- the proper procedures for appointment and re-election of Directors;
- the annual review of individual Directors' contributions to the Group, the status of each Director's work commitments outside of the Group, and the years of service of each independent non-executive Directors;
- the establishment of an audit committee to review the financial reporting and internal controls of the Group and the enhanced communications between the audit committee and the auditors of the Company through meetings held for the interim and the annual results of the Group without the presence of other Directors;
- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters for Directors and senior management of the Group;
- the establishment of a nomination committee to formulate nomination policy and make recommendations to the Board on any proposed appointment of Directors and to assess the independence of the independent non-executive Directors on a regular basis;
- the establishment of a corporate governance committee to assist the Board in performing the corporate governance duties as required under the Code;
- the provision of briefing or training (at the expense of the Company) on the relevant requirements of the GEM Listing Rules (including the Code) and the Securities and Futures Ordinance to all newly appointed Directors and to the entire Board as and when there are new changes to such rules and regulations;
- the provision of insurance coverage for Directors' liabilities;
- the timely supply of sufficient information to Directors for matters seeking their approval or opinions;

- the timely publications of announcements, circulars, annual, interim and quarterly results and reports (collectively referred to as "the Publications") to keep the Shareholders posted of the latest business developments and financial performance of the Group;

- the holding of an annual general meeting each year to meet with the Shareholders and answer their enquiries; and

- the timely updating of the Company's official website with the latest Publications of the Company and the provision of a platform for communications with the Shareholders and investors through such website.

During the year under review, the Company complied with the Code except for the following deviations:

- under the Code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;

- under the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;

  (The above two deviations were similarly disclosed on page 29 of the Company's annual report for the year ended 31 December 2011 and on page 21 of the Company's interim report for the six months ended 30 June 2012.)

- under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year under review, the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive director himself, always welcomes all non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;

- under the code provision A6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "Annual Contributions Review"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;

- under the code provision B.1.2, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors; and

- under the code provision B.1.5, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed "chief executive" (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the year under review.

During the year under review, letters were sent to Directors before the commencement of the "black-out periods" in preparation for the annual, interim and quarterly results announcements to remind them that they should not deal in the securities of the Company during such periods.

THE BOARD

Being the highest decision-making body of the Company, the Board is responsible for the Group's corporate policy formulation, strategic business planning, business development, risk management, material acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly results for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

During the year under review, the members of the Board comprised:

Executive Directors:	Mr. Sun Ho *(Chairman)* Mr. Robert Geoffrey Ryan Mr. Bai Jinmin Mr. Liang Yu
Non-executive Director:	Ms. Yang Yang
Independent non-executive Directors:	Mr. Kwok Wing Leung Andy Mr. Wang Ronghua Mr. Hua Fengmao

An updated list of the Directors identifying their roles and functions and whether they are independent non-executive Directors is posted on the websites of the Company and of the Stock Exchange.

To the best knowledge of the Directors, there are no financial, business, family or other material relationships among the members of the Board. During the year under review, there were three independent non-executive Directors (representing not less than one-third of the total number of Directors) at all times and at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

The appointments of the Directors are subject to retirement by rotation once every three years and re-election in accordance with the bye-laws of the Company at its annual general meeting or (in the case of filling a casual vacancy) at its next general meeting, except that the chairman of the Board is not subject to retirement by rotation, as the Board considers that the continuity of the office of the chairman provides the Group with strong and consistent leadership and is of great importance to the smooth operations of the Group. The service agreements for all the Directors are determinable by the Company within a year without payment of any compensation (other than statutory compensation).

Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting of the Company are Mr. Wang Ronghua, Mr. Hua Fengmao and Mr. Kwok Wing Leung Andy. Details are contained in the circular to Shareholders dated 28 March 2013.

Corporate Governance Report

The Board meets at least four times each year at approximately quarterly intervals to review the financial and operating performance of the Group. The Directors participate in person or through other electronic means of communication. At least 14 days' notice of all regular Board meetings is given to all Directors while reasonable notice is generally given for other Board meetings. An agenda together with supporting Board papers are sent to the Directors no less than three days before a Board meeting. All Directors are given an opportunity to include matters in the agenda for discussion. The company secretary assists the chairman in the preparation of the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are observed. The company secretary records the proceedings of each Board meeting in minutes with details of the decisions reached, any concerns raised and dissenting views expressed. Drafts of Board minutes are circulated to all Directors for comments and approval as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

All members of the Board are provided with monthly updates on internal unaudited financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Respective responsibilities of Directors and auditors

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year under review, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year under review, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on page 72.

Policy for Directors to seek independent professional advice and assistance, and Directors' insurance

The Company has adopted a policy for Directors to seek independent professional advice and assistance. In performing his/her duties for the Company, a Director is authorised by the Board to obtain independent professional advice and assistance from external legal, accounting or other advisors at the expense of the Company if necessary. Such Director should lodge a written request with the company secretary, specifying the reasons why such professional advice and assistance are necessary. Upon the endorsement of the chairman of the Board, the company secretary shall then find the appropriate professional party as soon as possible and pass its draft engagement letter (containing the expected scope of services and fee quotation) for the Director's review and comments before the Company signs such engagement letter. Directors' insurance is provided to the Directors in connection with the performance of their duties.

Directors' work commitments outside of the Group

Directors are required to disclose in a timely manner to the company secretary for any change, the number and nature of offices held in public companies or organisations and other significant commitments, and the identity of such public companies or organisations. The Board decides to disclose such information in the Company's annual report each year in the biographies section of the Directors.

Directors' training

The Company provides newly appointed Directors with briefings on the businesses of the Group and training materials on corporate governance, directors' duties and responsibilities and other matters under the GEM Listing Rules and other relevant rules or regulations. The company secretary updates Directors on any changes to the GEM Listing Rules and other relevant rules and regulations.

Pursuant to code provision A.6.5 of the Code, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by attending in-house briefing, studying materials on the following topics related to corporate governance and regulations and/or attending or participating in industry-specific seminars and conferences and provided a record of training to the Company.

Directors	Type of trainings
Executive Directors	
SUN Ho	A,B,C
Robert Geoffrey RYAN	B,C
BAI Jinmin	A,B,C
LIANG Yu	A,B
Non-Executive Director	
YANG Yang	A,B
Independent Non-Executive Directors	
KWOK Wing Leung, Andy	A,B
WANG Ronghua	A,B
HUA Fengmao	B

A: attending in-house briefing in relation to corporate governance and regulations
B: studying materials related to corporate governance and regulations
C: attending or participating in industry-specific seminars and conferences

CHAIRMAN AND CHIEF EXECUTIVE

During the year under review, the roles of chairman and CEO of the Company were performed by the same individual, namely, the executive Director, Mr. Sun Ho. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

Apart from being responsible for the strategic planning, business development, management and monitoring of operational as well as financial performance of the Group, the role of the chairman also includes providing leadership for the Board. He is also the chairman of the corporate governance committee, a member of the nomination committee, the compliance officer and authorised representative of the Company.

Furthermore, the chairman is responsible for ensuring that:

- other Directors are properly briefed on issues arising at Board meetings;
- Directors receive, in a timely manner, adequate information, which is accurate, clear, complete and reliable;
- the Board works effectively and performs its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established by the Group;
- Directors make a full and active contribution to the Board's affairs and act in the best interests of the Company;
- different views and concerns of Directors are discussed with sufficient time at Board meetings before reaching any Board decisions which fairly reflect the consensus of the Board; and
- he himself attends, and other Directors are invited to attend, all general meetings of the Company to enhance communications with the Shareholders and answer any queries that they may have in respect of the financial performance and other affairs of the Group.

The chairman approves the agenda for each Board meeting, which is prepared by the company secretary and has incorporated any matters proposed by other Directors for discussion.

NON-EXECUTIVE DIRECTORS

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of such independent non-executive Directors are independent. Each independent non-executive Director was appointed by way of a service agreement on a two-year basis. None of the independent non-executive Directors has served the Company for more than 9 years. All independent non-executive Directors are clearly identified in all corporate communications of the Company that disclose the names of Directors.

For any proposal by the Board to elect a person as an independent non-executive Director at the general meeting of the Company, the reasons for such proposal and why the Board considers that person to be independent shall be set out in the circular to Shareholders and/or the explanatory statement accompanying the notice of the relevant general meeting.

Where a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical Board meeting rather than a written resolution, and independent non-executive Directors who, and whose associates, have no material interest in the transaction shall be present in that meeting.

BOARD COMMITTEES

The Board delegates its functions to four Board committees (namely, the remuneration committee, the nomination committee, the corporate governance committee and the audit committee) and the management of the Group. The Board however recognises that delegating its functions and authorities to its committees and the management does not absolve its overall responsibility from the sound governance of the Company or from applying the required levels of skill, care and diligence in the performance of its duties as Directors.

1. Remuneration committee

The remuneration committee was established on 24 June 2005. During the year under review, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao (all of whom being independent non-executive Directors) remained as members of the remuneration committee. The current chairman of the remuneration committee is Mr. Kwok Wing Leung Andy.

The remuneration committee is responsible for formulating and recommending to the Board the emolument policy and the remuneration packages of executive Directors of the Group, as well as reviewing and making recommendations on the Company's Share Option Scheme, bonus structure, benefits in kind, provident fund and compensation payments, including any compensation payable for loss or termination of office or appointment. The committee consults with the chairman and CEO on his proposal and recommendations. The committee is also provided with other resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary. The remuneration committee adopts the execution model whereby the remuneration committee makes recommendations to the Board for approval.

The emolument policy of the employees of the Group is formulated by the remuneration committee on the basis of their performance, qualifications and competence. As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may also be granted share options by the Company from time to time pursuant to the Share Option Scheme. The emoluments of the Directors are reviewed and approved by the remuneration committee, having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong.

The specific terms of reference of the remuneration committee are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request.

2. Nomination committee

The nomination committee was established on 24 June 2005. During the year under review, Mr. Sun Ho, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the nomination committee. The current chairman of the nomination committee is Mr. Kwok Wing Leung Andy. Except for the executive Director, Mr. Sun Ho, all other members of the nomination committee were independent non-executive Directors.

The nomination committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession. The committee will also develop selection procedures for nomination of candidates, review the size, structure and composition of the Board, as well as assess the independence of independent non-executive Directors. The committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary. Nomination committee will meet at least once a year to assess independence of the independent non-executive Directors and check whether any of them has served the Board for more than 9 years, thus requiring separate Shareholders' approval for his further appointment.

Any member of the nomination committee is authorised to identify suitable candidates for the position of Director when there is a vacancy or an additional Director is considered necessary. Once identified, the member of the nomination committee will propose the appointment of such candidates to the nomination committee which will review the qualifications, experience and background of the relevant candidates for determining the suitability to the Group. The candidates approved by the nomination committee will then be proposed to the entire Board for final approval and, where appropriate, for recommendation to the Shareholders for their approval at the general meeting of the Company.

The specific terms of reference of the nomination committee are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request.

3. Corporate governance committee

The Company has established a corporate governance committee on 23 March 2012 with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The corporate governance committee is to assist the Board in performing the corporate governance duties as required under the Code. The corporate governance committee comprises two members, namely, the chairman of the Board, Mr. Sun Ho (as chairman of such committee) and the company secretary, Mr. Wong Wai Sing.

The corporate governance committee is responsible for reviewing and monitoring the adequacy of the corporate governance guidelines of the Company and for recommending any proposed changes to the Board for approval. The corporate governance committee also reviews and monitors the training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees of the Group and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. The committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

On 20 December 2012, the corporate governance committee has reviewed and approved the "Policies on Recruitment, Change of Directors or Chief Executives and Changes in their Personal Information" to ensure compliance with relevant governing rules and regulations and internal control procedures.

4. Audit committee

The Company has established an audit committee with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, consider the appointment or reappointment of auditors and provide advice and comments on the Group's draft annual, interim and quarterly results and reports to the Board. On 23 March 2012, the audit committee has reviewed and approved the whistle-blowing arrangement to give all staff of the Group an opportunity to raise, in confidence, concerns about any possible improprieties in financial reporting, internal control, plans and ideas about the Group.

During the year under review, the three independent non-executive Directors, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the audit committee, with Mr. Kwok appointed as the chairman of such committee. The committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

The Group's draft unaudited interim, quarterly and audited annual results were reviewed by the audit committee during the year under review, and the committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The audit committee also attended two meetings during the year under review with HLB Hodgson Impey Cheng Limited, the auditors of the Company, to discuss final results of the Group and the audit preparation and status for the final results.

AUDITORS' REMUNERATION

Remuneration to the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to HK$950,000 for the year ended 31 December 2012. The accounts for the years ended 31 December 2011 and 2010, for the six-month period ended 31 December 2009 and for the year ended 30 June 2009 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceeding five financial period and years. A resolution for re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company will be proposed at the forthcoming annual general meeting. The Board concurs with the views of the audit committee in determining the re-appointment of auditors of the Company.

MEETING ATTENDANCE

The individual attendance records of each Director at the meetings of the Board and its committees and the annual general meeting of the Company during the year are set out in the following table:

	Meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting
Executive Directors						
SUN Ho	4/4	–	–	1/1	1/1	1/1
Robert Geoffrey RYAN	3/4	–	–	–	–	1/1
BAI Jinmin	3/4	–	–	–	–	1/1
LIANG Yu	3/4	–	–	–	–	1/1
Non-Executive Directors						
YANG Yang	2/4	–	–	–	–	1/1
Independent Non-Executive Directors						
KWOK Wing Leung, Andy	4/4	5/5	2/2	1/1	–	1/1
WANG Ronghua	4/4	5/5	2/2	1/1	–	1/1
HUA Fengmao	1/4	2/5	1/2	0/1	–	1/1

COMPANY SECRETARY

The company secretary is responsible for facilitating the Board's process and communications among Board members and with the Shareholders and the management, and advising the Board and its committees on all corporate governance matters. He reports to the chairman of the Board and/or the CEO and his selection, appointment or dismissal shall be a Board decision.

The Directors have access to the advice and services of the company secretary to ensure that board procedures and all applicable laws, rules and regulations are followed.

During the year under review, the company secretary continued to be Mr. Wong Wai Sing who has undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems to safeguard the assets of the Group and the Shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board has delegated to the management the implementation of the internal control systems and reviewing of all relevant financial, operational, compliance controls, risk management functions, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

In order to enhance the internal control system, a whistle-blowing arrangement was implemented to give all staff of the Group an opportunity to raise, in confidence, concerns about any possible improprieties in financial reporting, internal control, plans and ideas about the Group to the Group internal auditor and the Audit Committee for further investigation, if required.

To ensure compliance with relevant governing rules and regulations and internal control procedures, the "Policies on Recruitment, Change of Directors or Chief Executives and Changes in their Personal Information" was adopted during the year under review.

The Board has conducted a review of the effectiveness of the internal control system of the Group. During the year under review, the Board delegated a Group internal auditor from the head office in Hong Kong and an internal auditor from a PRC subsidiary to carry out site visits by rotation to different operating subsidiaries of the Company in China to ensure that proper accounting and internal control systems stipulated by the head office were implemented and followed by such subsidiaries.

Training was also provided to the newly appointed accounting staff in China to ensure that they were familiar with the accounting and internal control systems of the Group stipulated by the head office in Hong Kong.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the Shareholders and the investing public.

The Company has adopted a "Shareholder Communications Policy" to encourage and maintain timely and effective communications with the Shareholders through the following means:

(i) The Directors shall host the annual general meeting each year to meet with the Shareholders and answer their enquiries. The chairmen of the Board, corporate governance, audit, nomination and remuneration committees shall attend the annual general meeting to answer questions from the Shareholders. A separate resolution shall be proposed to be considered by the attending Shareholders in respect of each substantially separate issue, and voting on each resolution shall be conducted by way of a poll. The poll voting procedures shall be explained fully to Shareholders during the meeting. The Company's share registrar shall be appointed as scrutineer to monitor and count the poll votes cast at the meeting. The results of the poll which include the number of shares voted for and against each resolution shall be posted on the Stock Exchange's and the Company's websites on the same day of the meeting.

(ii) The Company shall update its Shareholders and the investors on the Group's latest business developments and financial performance through announcements, circulars as well as annual, interim and quarterly reports to be issued by the Company from time to time.

(iii) The corporate website of the Company shall serve as an effective communication platform to the investing public and the Shareholders, and the Company has posted the following documents to its website:

- list of Directors specifying their roles and functions;
- the updated and consolidated version of its Bye-laws and memorandum of association;
- the procedures for eligible Shareholders to propose a person for election as a Director;
- the procedures for eligible Shareholders to convene a special general meeting or to put forward proposals at Shareholders' meetings;
- the announcements, circulars as well as annual, interim and quarterly reports of the Company; and
- terms of reference of the Company's audit, remuneration, nomination and corporate governance committees.

(iv) Notice to the Shareholders in respect of the annual general meetings and other general meetings of the Company shall be sent by the Company at least 20 clear business days and at least 10 clear business days respectively before such meetings.

Share registration matters shall be handled for the Shareholders by the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

During the year under review, there were no significant changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

(A) Shareholders to convene a special general meeting or to put forward proposals at Shareholders' meetings

In accordance with Bye-law 58 of the Bye-laws of the Company, shareholders holding (at the date of deposit of the requisition) not less than one tenth of the paid up capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board to consider any proposed resolution specified in such requisition (the "Proposal"); and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Under Bye-law 59 of the Company and the code provision E.1.3 set out in Appendix 15 of the GEM Listing Rules, a special general meeting shall be called:

(i) by written notice of not less than fourteen (14) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders if an ordinary resolution is proposed to be considered at that meeting; or

(ii) by written notice of not less than twenty one (21) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders if a special resolution is proposed to be considered at that meeting.

However, a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. (95%) in nominal value of the issued shares of the Company giving that right.

The written notice shall specify the time and place of the meeting, together with details of the Proposal to be considered at the meeting.

A circular containing the background and details of the Proposal and the aforesaid written notice should also be sent to the Shareholders, Directors and auditors of the Company (HLB Hodgson Impey Cheng Limited of 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong).

Eligible Shareholders who wish to requisition for the convening of a special general meeting should sign the written requisition and send the same to the company secretary of the Company, at Unit 3912, 39/F, Tower Two, Times Square, Causeway Bay, Hong Kong. In the written requisition, the requisitionist should state his contact details including telephone number and email address to facilitate the follow-up action by the company secretary.

(B) Shareholders sending enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing by contacting either the company secretary of the Company at Unit 3912, 39th Floor, Tower Two, Times Square, Causeway Bay, Hong Kong or through our shareholders' hotline (852) 25061668, fax no. (852) 25061228, e-mail at ir@agtech.com or directly by questions at the annual or special general meetings of the Company. Questions on the procedures for convening or putting forward proposals at the annual or special general meetings of the Company may also be put to the company secretary by the same means.

(C) Shareholders to propose a person for election as Director

In accordance with Bye-law 58 of the Bye-laws of the Company, shareholders holding (at the date of deposit of the requisition) not less than one tenth of the paid up capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board to consider the proposal of electing a person as Director as specified in such requisition (the "Election Proposal"); and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Under Bye-law 59 of the Company and the code provision E.1.3 set out in Appendix 15 of the GEM Listing Rules, the special general meeting for the Election Proposal shall be called by written notice of not less than fourteen (14) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders. However, a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. (95%) in nominal value of the issued shares of the Company giving that right.

The written notice shall specify the time and place of the meeting, full name(s) of the person(s) to be proposed as Director(s) and their respective designation on the Board (i.e. whether such proposed person(s) is/are to be designated as executive, non-executive or independent non-executive Director(s)), with each nomination to be considered as a separate ordinary resolution in the meeting.

A circular should also be sent, together with the aforesaid written notice, to the Shareholders, Directors and auditors of the Company (HLB Hodgson Impey Cheng Limited of 31/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong) containing the background and details of the Election Proposal (including biographical details of the person(s) proposed to be elected as Director(s) and other information about him/them as required to be disclosed under GEM Listing Rules 17.50(2)).

Eligible Shareholders (other than the person to be proposed for election as a Director) who wish to requisition for the convening of a special general meeting to consider the Election Proposal should sign the written requisition and send the same to the company secretary of the Company, at Unit 3912, 39/F, Tower Two, Times Square, Causeway Bay, Hong Kong. In the written requisition, the requisitionist should state his contact details including telephone number and email address to facilitate the follow-up action by the company secretary and enclose the following documents:

(i) a written notice signed by the nominated candidate of the candidate's willingness to be appointed as Director;

(ii) the candidate's personal information as required to be disclosed under GEM Listing Rule 17.50(2) and such other information as set out in the section headed "Required information of the candidate(s) nominated by Shareholders" below; and

(iii) the candidate's written consent to the publication of his/her personal data by the Company.

The minimum length of the period during which the written requisition and the notice in (i) above are given shall be at least seven (7) days and the period for lodgment of the same shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for the Election Proposal and end no later than seven (7) days prior to the date of such general meeting.

Required information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, the above Election Proposal should be accompanied with the following information of the nominated candidate(s):

a) full name and age;

b) positions held with the Company and its subsidiaries (if any);

c) experience including (i) other directorships held in the past three years in public companies of which the securities are listed on any securities market in Hong Kong and overseas, and (ii) other major appointments and professional qualifications;

d) current employment and such other information (which may include business experience and academic qualifications) of which Shareholders should be aware of, pertaining to the ability or integrity of the candidate;

e) length or proposed length of service with the Company;

f) relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company, or an appropriate negative statement;

g) interests in the Shares within the meaning of Part XV of Securities and Futures Ordinance, or an appropriate negative statement;

h) a declaration made by the nominated candidate in respect of the information required to be disclosed pursuant to GEM Listing Rule 17.50(2)(h) to (w), or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor there are any other matters relating to that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention; and

i) contact details of the nominated candidate.

The Shareholder proposing the candidate(s) will be required to read out aloud the proposed resolution(s) at the general meeting of the Company.


RESPO

ONSIBILITY

We strive to actively contribute to the development of a responsible lottery industry which shall raise important funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we are the sponsor of a wide range of sport events.

Management Discussion and Analysis

ABOUT THE GROUP

The Group is the leading integrated gaming company in China's sports lottery market.

The Group is principally engaged in (i) gaming technologies (game software, systems, hardware and terminals); (ii) lottery management; and (iii) online and mobile lottery. The Group is committed to applying international best practice and advanced technologies to the lottery industry in various areas such as lottery systems, lottery hardware, lottery/betting games, internet and mobile phone distribution & systems, wireless network and streaming media, thereby providing China's lottery authorities and millions of lottery players in China with professional, integrated lottery services.

Over the past six years, the Group has demonstrated a strong track record of delivery, successfully building a uniquely balanced, complementary suite of businesses that now occupy leading positions in the key verticals of the Chinese sports lottery market. This growth is testament to the quality and depth of the Group's relationships with industry regulators and officials at both a national and provincial level, as well as the quality of its management, employees, technology and partners.

Through Asia Gaming Technologies Limited ("AGT"), the Group's joint venture with Ladbroke Group, the Group has developed and successfully launched China's only nationally-approved virtual fixed odds sports betting game, "Lucky Racing".

The Group has a team of approximately 200 professionals and the footprint of its sports lottery business now covers 80% of the provinces and municipalities across China. The Group is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

Our results are derived from the business model of being an integrated solutions provider for the entire supply chain in the lottery markets in China, ranging from lottery management services and lottery sales terminals to gaming contents and platform technologies, covering retail, (and when regulations permit) mobile or internet distribution channels. Such business model forms the basis on which the Company generates and preserves value over the long term for our Shareholders.

CORPORATE STRATEGY AND OBJECTIVES

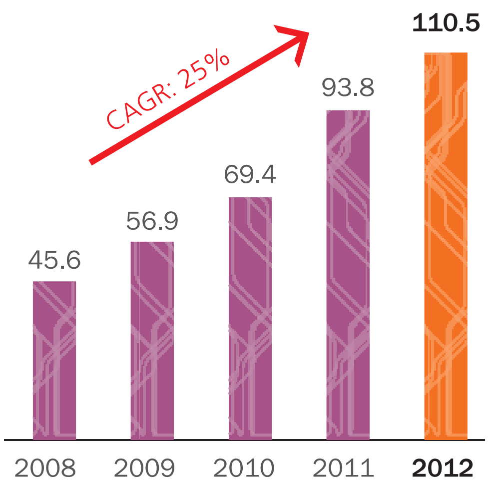
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the Chinese lottery markets through both the existing and any new remote channels. Our Group has been working with various world-renowned strategic partners in these efforts for many years. It is also our corporate strategy to expand into China's welfare lottery market in due course.

INDUSTRY OVERVIEW

China's Sports Lottery Market Achieved Sales of over RMB110 billion in 2012

2012 was another record year for China's second largest permitted operator, the China Sports Lottery. According to data published by the PRC's Ministry of Finance, total sports lottery sales reached RMB110.5 billion. Sales increased by RMB16.7 billion from the prior year, representing an annual growth rate of approximately 18%. This growth enabled the sports lottery to raise over RMB29.4 billion for good causes, a new annual milestone.

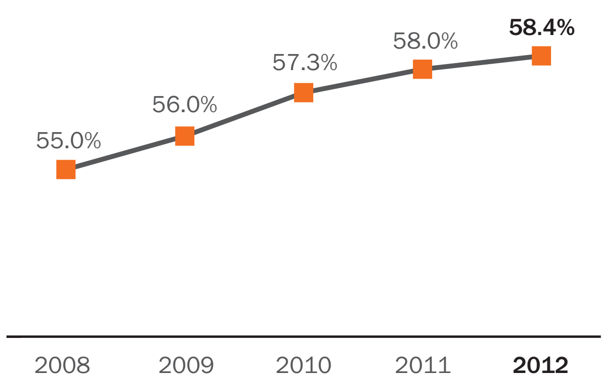
China's Sports Lottery Sales Development 2008-2012 (RMB billion)



Source: PRC Ministry of Finance

As shown in the accompanying chart, the sports lottery has delivered ever increasing sales between 2008 and 2012, growing at a compound rate of approximately 25% in this period. This growth has been driven by a number of factors, not only the increased prize payout ratios shown here, but also the introduction of more appealing products and improvements to the retail distribution network, both in terms of absolute shop numbers as well as shop quality.

Sports Lottery Payout Ratio Development 2008-2012



Source: China Sports Lottery

Management Discussion and Analysis

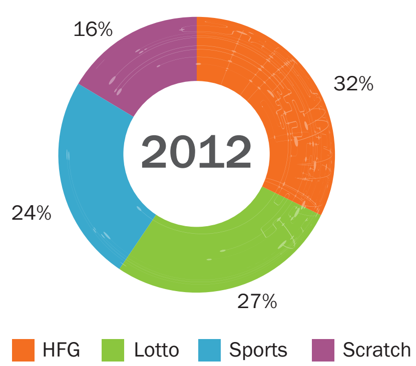
Despite the impressive growth of the sports and welfare lotteries in recent years, compared with other countries, China's regulated lottery gross win (stakes less prizes) as a proportion of gross domestic products ("GDP") is at an extremely low level. This lack of penetration by the regulated products is driven by a number of factors which include constraints on distribution with respect to low numbers of shops per capita and the absence of a legitimate remote channel, gaps in terms of the breadth of certain products (for example, sports betting) and finally, particularly for the products with higher play frequency such as sports betting, virtual sports betting, scratch cards and high frequency games, payout ratios which are not sufficiently high to effectively compete with the illegal market.

The authorities in China are committed to channeling the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network. This process is already well underway and is a vital step to ensure that the vulnerable in Chinese society are adequately protected, that the potential for corruption is minimised and, importantly, to increase the funding available for good causes. Through further initiatives such as continued increases in prize payout ratios, the introduction of new rapid-draw lottery and virtual sports betting games, further expansion of the sports betting network and the planned opening of online and mobile distribution channels, the Chinese authorities will make the regulated lottery even more competitive and appealing and secure its continued rapid growth.

Industry Highlights

The sports lottery has four main product categories, high frequency games ("HFG") featuring multiple draws per hour, lotto games that are traditional in nature and have a daily or weekly draw pattern ("Lotto"), sports betting ("Sports") and instant scratch cards ("Scratch").

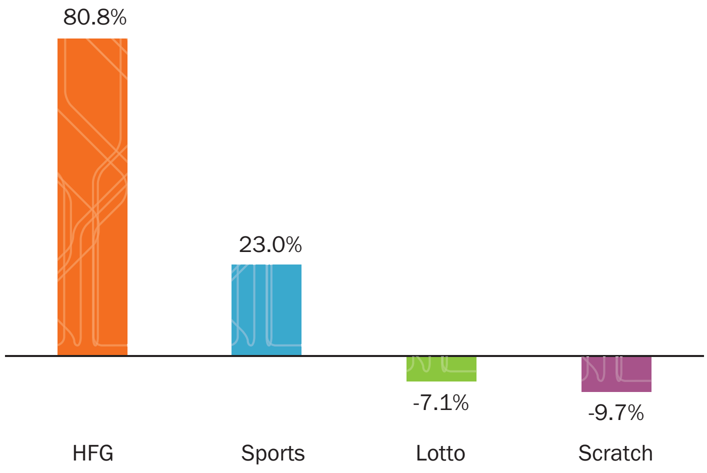
Sports Lottery Sales Market Share by Major Game Type (2012)



Source: China Sports Lottery

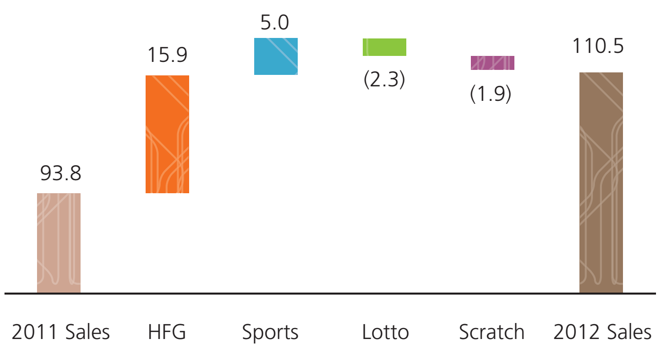
The overall growth of approximately 18% for sports lottery in 2012 was a product of widely differing performance in each of the products. Whilst HFG and Sports enjoyed very strong growth, Lotto and Scratch posted declining sales figures.

Sports Lottery Sales Growth Comparison by Product (2012 vs 2011)



Source: China Sports Lottery

Sports Lottery Sales Bridge 2011-2012 (RMB billion)



Source: China Sports Lottery

Management Discussion and Analysis

Performance by Product Type

1. *High Frequency Games*

With an annual growth rate of over 80% and sales of RMB36 billion, 2012 was another very strong year for HFG. The growth in HFG reflects a number of trends including the on-going introduction of HFG to more provinces in 2012, the full year effect of such new launches from 2011 and an increase in the payout ratio in a number of provinces. Lucky Racing, AGT's proprietary game, is currently classified as a high frequency game and operates within the higher payout category of 59%. In view of its launch in the second half of 2011 in Hunan province, its full year performance also contributed to HFG's growth.

We expect the sports lottery to continue to exploit the clear popularity of HFG and believe that our Virtual Sports Betting business will benefit from this, particularly through the planned national roll-out of Lucky Racing.

2. *Lotto*

The traditional lotto games contributed sales of approximately RMB30 billion during the year, a decline of over 7% from the previous year. These traditional draw games are dominated by three games, Super Lotto (46% of the category) and Rank 3 and Rank 5 (34% combined).

The decline in sales for this product may reflect a moderation in promotional activity from the high levels seen in 2011, as well as an increase in competition from other products that have benefited from increases in the payout ratio during the year (for example, HFG).

3. *Sports*

There are two main game categories within Sports, Jin Cai (single match betting) and traditional football betting. Whilst both formats permit betting on Europe soccer, Jin Cai differs from the traditional football betting category in two respects. Firstly players of Jin Cai can also bet on the United States' NBA tournament, secondly, rather than pool or pari-mutuel betting, on multi-match bets specifically (i.e. betting on the outcome of more than one match), Jin Cai offers customers a fixed-odds betting experience. This means that customers know with certainty the payout on any accumulator successful bet that they place in Jin Cai.

Sports as a category grew by 23% in 2012. Of the RMB26.8 billion of Sports sales in 2012, approximately RMB17.3 billion was accounted for by Jin Cai. This represents an approximate 65% share of the Sports market (from 57% in 2011) and an annual growth rate for Jin Cai of nearly 40%.

It is clear that the Jin Cai product and in particular its fixed odds prize structure is particularly popular with Chinese players. This is consistent with our experiences in terms of the performance of our virtual sports betting game. Lucky Racing also features a fixed odds betting model and this gives us confidence that the roll-out of Lucky Racing and any of our other virtual betting games is likely to prove highly successful.

4. Scratch

In 2012, sales of Scratch tickets were approximately RMB18 billion, a decline of approximately 10% from the previous year. Scratch accounted for approximately 16% of the total sports lottery market in 2012. The poor performance of Scratch has been attributed to logistical and capacity constraints within the national distribution network and a glut of historical inventory at the retailer level. It is also possible that the increase in the payout ratio of HFG may have created a more directly substitutable product in the market.

During the latter part of 2012, the inventory issues in scratch are believed to have been resolved which may enable a stabilisation and recovery in this product.

BUSINESS REVIEW

Gaming Technologies Business

Virtual Sports Betting

During the year under review, the virtual sports betting game "Lucky Racing" ("幸運賽車") has continued to be operated in the trial province of Hunan, in advance of a potential national rollout across the PRC. Total sales of the game for the year under review reached approximately RMB1.1 billion, accounting for 1.0% of all national sports lottery sales and contributing to annual growth of sports lottery sales in Hunan province of 36.0%, compared to growth of 17.8% for the sports lottery nationally. In its first full calendar year of operation, Lucky Racing delivered approximately 34% of total sports lottery sales in Hunan province. Sales of other approved games in Hunan grew at a rate above the national average during the period, indicating that Lucky Racing has grown the entire market by attracting incremental customers to Hunan's sports lottery shops. The game has been rolled out to approximately 1,900 lottery shops in Hunan, of which over 1,400 shops are fully operational.

"Lucky Racing" and the underlying betting transaction system are supplied by "AGT", the Group's majority-owned joint venture with Ladbroke Group (a world leader in betting and gaming, based in the United Kingdom). The game is a virtual betting game that is broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races (Grand Prix style) with similar betting options to horse racing such as win, place (first two), first three or accumulator style bets. The approval by the central Chinese regulators for this form of betting is a milestone in China, and the game's acceptance by lottery players in Hunan strongly indicates that virtual betting could be a significant new market segment on a national basis.

Sales and technical performance of the game have been highly satisfactory and Lucky Racing in Hunan is therefore fully operational and no longer considered to be in a trial phase. The Group is actively working with the national authorities to integrate the game and system into the national sports lottery's "Next Generation" system that is currently under construction. With the game already achieving national approval, the conclusion of the national sports lottery's "Next Generation" IT project will remove the final technical hurdle for the game's national roll-out. To date, the game in Hunan has been successfully launched in traditional dedicated sports lottery shops and a small number of selected leisure venues (such as coffee shops and restaurants). It is expected that the game also has the potential to expand nationwide in terms of other channels such as mobile, internet and Internet Protocol Television (IPTV) (subject to the necessary approvals).

Given the spectacular performance of Lucky Racing in Hunan, the Group has been approached by a number of other provinces that are anxious to have access to virtual fixed odds sports betting. As a consequence, the Group is currently working with one of the country's leading provinces in order to launch another new approved virtual fixed odds sports betting game in China. Whilst the new virtual game will share many characteristics with Lucky Racing such as frequency of play and high quality graphical display, the new game will feature a virtual match rather than a virtual race. The new game will initially be launched in a trial province in anticipation of a potential national roll-out in due course. Building on the success of Lucky Racing, the planned introduction of this additional new game would represent a very significant development for the Group in terms of both geographical and game product development and would confirm virtual fixed odds sports betting as a fully accepted, rapidly growing, multi-product game category in China.

Gaming Hardware and Technology Development

With a domestic market share of more than 50%, GOT is the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery. GOT is a critically important growth division within the Group, with opportunities to expand not only in the domestic lottery and betting terminal supply arena, but also in the overseas lottery and betting terminal markets as well as through new technologies such as domestic and international VLT manufacture and delivery.

GOT enjoyed a strong 2012 domestically, despite the fact that the anticipated terminal replacement cycle in China's sports lottery market is expected to commence in the second quarter of 2013, following the conclusion of the terminal supplier selection and evaluation process recently undertaken by the National Sports Lottery Administration Centre. This encouraging performance is testament to GOT's unparalleled reputation in the sports lottery field, gained during more than ten years of successful operation. The Group is confident that GOT's new range of terminals, the M6 Smart Terminal, the C8 Terminal and the A210 Portable Terminal, which have now been extensively tested and approved, will play leading roles in the forthcoming replacement cycle.

During 2012, we were pleased to deliver on our previously announced ambition to take the GOT business to the international stage. GOT's first international order of over 500 next generation GOT C8 terminals to South Africa's Gold Circle (PTY) Limited, marks what we expect to be the start of an exciting journey for GOT. As such, the Group is in active discussions with a number of other potential international customers and distributors.

The Group is proud to be working with some of the world's leading lottery technology companies as it seeks to internationalise the GOT business and to broaden its product spectrum.

Lottery Management Business

Lottery management services primarily comprise long term contracts with provincial sports lottery authorities for services such as direct and franchise retail shop management, as well as lottery sales, marketing and promotion consultancy and management.

Over the many years of its successful operation, the track record of the Lottery Management Business as a reliable supplier of quality lottery products and services to the provincial sports lottery authorities in China has been a key enabler of the Group's strategy, cementing the Group's first class relationships and reputation across the country.

The Group's lottery management business is performing in-line with expectations. The decline in sales in the Lottery Management Business during the period was due to the natural expiry of some of its provincial contracts. Going forward, as it increasingly focuses on the growth divisions of Gaming Technology and Internet and Mobile, the Group expects that the Lottery Management Business will gradually become a less important Group division.

Online and Mobile Lottery

In light of the very high levels of internet and mobile/smart phone penetration in China (>510m and >1,000m/>330m respectively according to recent publicly available estimates), the potential regulation of online and mobile distribution of approved lottery products in China promises to create enormous opportunities for the Group.

The Group intends to directly participate in this exciting development via the provision of mobile systems and as a distributor/retailer. Sales of the Group's approved games, such as Lucky Racing, should also benefit from any introduction of a legitimate remote distribution channel in China.

The provincial mobile systems trials that are underway or being prepared in the welfare and sports lotteries are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. In Silvercreek, the group's wholly-owned subsidiary, we control one of the most competitive mobile lottery service providers in China. Thanks to its valuable PRC internet content provider and PRC telecom service provider licenses, as well as its track-record and relationships in the lottery industry, the Group is fully qualified to apply for mobile and internet system and distribution licenses as and when they become available.

BUSINESS OUTLOOK

With continued revenue and gross profit improvements seen in 2012, the Directors are optimistic about the outlook for the business and excited about the growth opportunities they see ahead in 2013 and beyond. The Board believes that, in the coming year, the business will continue to enjoy rapid growth and achieve further significant milestones. Firstly, the Group expects to launch a new virtual fixed odds sports betting game in one of China's leading provinces in the relatively near future, part of a planned pipeline of approved, exciting new games for the Chinese sports lottery market. Secondly, as part of its ongoing co-operation with the national sports lottery with respect to "Lucky Racing", the Group expects the final technical hurdle to national rollout of this game to be removed during the course of this year. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Finally, in the GOT division, the Group will capitalize on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLTs.

Following the introduction of "Implementing Rules for the Regulations on the Administration of Lotteries" on 1 March 2012, the Directors believe that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. As a prudent lottery group that has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government for many years, and in light of its Silvercreek acquisition, the Group is well positioned to react to any such regulatory change. The Directors believe that such a development would bring great opportunities for the Group to further expand its business into more innovative lottery games and distribution channels in the future.

Taken together with the continuing underlying revenue growth of the sports lottery business in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group for 2013 and beyond.

Looking ahead, the Group will continue to explore new business opportunities and forge more strategic business alliances, with a view to increasing its sales and profitability and ultimately to maximizing returns for shareholders. The Board strongly believes that the solid business foundations, strong customer and government relationships as well as the quality of international gaming partnerships enjoyed by the Group, ideally position it to reach new heights when market opportunities emerge in the rapidly growing regulated lottery industry in China.

REVIEW OF OPERATING RESULTS

Revenue and profitability

Revenue of the Group for the year under review amounted to approximately HK$229.3 million (2011: approximately HK$111.3 million). Most of the revenue was derived from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC. During the year under review, the gross profit percentage stood at approximately 44.3% (2011: approximately 66.0%).

The Group strives to maintain its leading position in lottery technologies through continuous investment in research and development. For the year under review, the total research and development expenses amounted to approximately HK$10.6 million (2011: approximately HK$3.8 million). The increase was mainly attributable to the inclusion of GOT's research and development expenses throughout the year under review.

Loss attributable to owners of the Company for the year under review amounted to approximately HK$32.9 million, primarily due to (i) the share-based payments (totalling approximately HK$10.0 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK$19.4 million).

Capital resources, liquidity and gearing ratio

Net bank balances and cash (defined as total bank balance and cash and pledged bank deposit less total bank borrowings) as at 31 December 2012 were approximately HK$138.6 million (2011: approximately HK$97.8 million). The total assets and net current assets of the Group as at 31 December 2012 were approximately HK$1,152.2 million and approximately HK$240.9 million respectively (2011: approximately HK$1,218.2 million and approximately HK$231.6 million respectively).

The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the Share Option Scheme. The Group has raised a bank loan of approximately HK$17.6 million during the year under review for working capital. This bank borrowing will be repaid by internal generated funds. The gearing ratio (determined as the proportion of bank borrowing to equity) of the Group as at 31 December 2012 was 0.02 (2011: 0.057). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 31 December 2012 was approximately 5.1 which continuously reflected adequacy of financial resources.

Charges on Group's assets

Deposits amounting to approximately HK$18,453,000 (2011: Deposits and leasehold land buildings amounting to approximately HK$26,613,000 and HK$45,493,000 respectively) was pledged to secure short-term bank borrowing and letters of guarantee. The pledged bank deposits will be released upon the settlement of relevant borrowings and expiry of letters of guarantee.

Foreign exchange exposure

As at 31 December 2012, majority of the Group's bank deposits were denominated in HK$ and RMB. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in HK$ and RMB, which is not freely convertible into foreign currencies, the Group faced minimal exchange rate risk during the year under review.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Employees' information

As at 31 December 2012, the Group had 198 (2011: 311) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2012 amounted to approximately HK$47.0 million.

The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, Share Option Scheme, contributory provident fund, social security fund, medical benefits and training.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Sun Ho – Executive Director, Chairman & CEO

Mr. Sun Ho, aged 44, is the executive director, chairman & CEO, authorised representative, compliance officer and member of each of the nomination and corporate governance committees of the Company. He is also the director of various subsidiaries of the Company.

Mr. Sun has extensive experience in the 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. As a part-time researcher of the China Center for Lottery Studies, Peking University, Mr. Sun has completed a number of significant research studies regarding the development and future prospects of the Asia Pacific's gaming markets. Mr. Sun has always dedicated himself to the development of China's lottery markets.

Mr. Sun was previously the CEO of China LotSynergy Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange, and an executive director of Burwill Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and had worked for KPMG, an international accounting firm, where he was involved in the auditing and due diligence activities for clients.

Mr. Robert Geoffrey Ryan – Executive Director & Head of Gaming

Mr. Robert Geoffrey Ryan, aged 54, is the executive director and head of gaming of the Company. He is also the director of various subsidiaries of the Company, responsible for corporate strategic planning and business development.

Mr. Ryan brings to the Company over 20 years of experience in senior roles within the international gaming and wagering industry. Mr. Ryan has accumulated a broad range of operational, business development and implementation expertise across industry sectors including sports betting operations, on-line lottery operations, pari-mutuel and fixed odds wagering, electronic gaming machine (EGM) and video lottery terminal (VLT) operations, casino operations and gaming systems implementation/integration. Through his tenure with Australia's leading gaming companies, Tabcorp Holdings Limited (Australia's largest gaming and wagering company), Jupiters Limited (casinos and hospitality) and AWA Limited (gaming systems), Mr. Ryan has developed and/or managed gaming operations within Asia and the Asia Pacific region including India, Malaysia, Philippines, Vietnam and Thailand. Most recently in his capacity as Regional Manager, Mr. Ryan was instrumental over a 3-year campaign to have Tabcorp systems, lottery game designs and operations approved in China at the central government level. Mr. Ryan shall provide advice and assistance to the Group with respect to gaming operations design and implementation, business development and gaming business review.

Biographical Details of Directors and Senior Management

Mr. Bai Jinmin – Executive Director

Mr. Bai Jinmin, aged 46, 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 18 years of 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 master degree in Business Administration from the National University of Singapore.

Mr. Liang Yu – Executive Director

Mr. Liang Yu, aged 40, is the executive director of the Company. He is also act as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision, responsible for their business development, strategic planning and operational supervision.

Mr. Liang has approximately 17 years of law practice experience. Before joining the Company, Mr. Liang was a partner with Haiwen & Partners, a law firm in the PRC. He has been advising 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. In addition, Mr. Liang has extensive experience in the area of dispute resolution in respect of international commercial transactions.

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.

Ms. Yang Yang – Non-Executive Director

Ms. Yang Yang, aged 36, is the non-executive director of the Company.

Ms. Yang was an Olympic short track speed skater and a member of the Chinese national short track team. As one of the world's most powerful short-track speed skaters, Ms. Yang has won a total of 59 world titles and broken world record six times in her career in World Championships and World Cup events. Most notably, her winning of two gold medals in the women's 500 metres and 1,000 metres short tracks at the 2002 Winter Olympics made her the first athlete from the PRC to win a gold medal at the Winter Olympics and the first woman athlete from the PRC to win two short-track individual events at one Olympics. She has dominated short track speed skating for many years and was called the "Queen of Short Track Speed Skating" in the PRC.

Biographical Details of Directors and Senior Management

Ms. Yang is enthusiastic to participate in volunteer work to contribute to the Olympics and the society. In addition, she was a consultant of the Volunteer Department of Beijing Olympic Organisation Committee and an anchor woman of "Olympics in China" in CCTV-4. In addition, she has served on the Chinese Olympic Committee, the Athletes Committee of the International Skating Union (ISU), the Women and Sport Committee of the International Olympic Committee, and the Athletes Committee of the World Anti-Doping Agency. In recognition of her important contributions to the society, Ms. Yang was also voted as (i) one of the ten outstanding young persons in the PRC by All-China Youth Federation, China Youth Development Foundation and ten news agencies in 2002, (ii) one of the ten excellent women of China by All-China Women's Federation and eleven news agencies in 2002, (iii) the best female athlete and the most popular female athlete by Chinese Olympic Committee, All-China Sports Federation and CCTV in 2002, and won numerous sports awards from the Chinese National Sports Committee. Ms. Yang holds a bachelor degree in business administration from Tsinghua University, the PRC.

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 67, is the First Advisory Officer of Beijing Budding Flower International Cultural Promotions Co., Ltd. and the senior advisor of Forterra Trust (formerly known as Treasury Holdings China Limited) in Beijing. He has been appointed as independent non-executive director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

Mr. Wang graduated from the Beijing Institute of Foreign Trade. Prior to the appointment as independent non-executive Director, Mr. Wang held various positions in the PRC Government. Mr. Wang was the general manager of Beijing Personnel Service Corporation for Diplomatic Missions, the general manager of China Jiaoyuan Corporation for International Economic and Technical Cooperation, the first deputy director general of Beijing Service Bureau for Diplomatic Missions and an ambassador of the PRC to the Republic of Iceland. Thereafter, Mr. Wang joined Shanghai Institute of International Finance as vice president and was the chief operating officer of Shanghai Sinoman Industrial (Group) Ltd.

Mr. Hua Fengmao – Independent Non-executive Director

Mr. Hua Fengmao, aged 44, is the Managing Director of BOCOM International (Asia) Limited. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

Mr. Hua obtained a bachelor degree and a master degree in English Language & Literature from the Shanghai International Studies University, Shanghai, the PRC. Mr. Hua obtained a master degree in Business Administration from the International University of Japan, Niigata, Japan. Prior to joining BOCOM International (Asia) Limited, Mr. Hua held various positions in various investment banks. Mr. Hua was the founding partner and managing director of China Finance Strategies Limited, the managing director of investment banking of CLSA Equity Capital Markets Limited, the general manager of Cazenove Asia Limited, manager of ICEA Capital Limited and associate investment banking officer of Bank of America NT&SA.

Mr. Kwok Wing Leung Andy – Independent Non-executive Director

Mr. Kwok Wing Leung Andy, aged 38, has over 16 years of local and overseas financial and general management experiences and has experience in the trading business in the PRC. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

Mr. Kwok holds a master degree in Business Administration from Tsinghua University, the PRC and a bachelor degree in Economics from the University of Sydney in Australia. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. With effect from 1 April 2009, Mr. Kwok resigned as chairman of Asia Coal Limited (formerly known as Nubrands Group Holdings Limited) but remained as its executive director. The issued shares of Asia Coal Limited are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Shen Weihong

Mr. Shen Weihong is the director of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.) and SYSTEK LTD, 北京思德泰科科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.), 深圳市福悦信息諮詢有限公司 (Shenzhen Fortune Happy Information Advisory Co., Ltd.) and 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.), being indirect wholly-owned subsidiaries of the Company. He is also the director of Asia Gaming Technologies Limited, an indirect 51%-owned subsidiary of the Company, responsible for their business development, strategic planning and supervision of their operations.

Mr. Shen has extensive experience in corporate strategy, business planning, acquisitions and mergers, business development, finance and corporate finance. Prior to joining the Group, Mr. Shen was a senior corporate management consultant and project manager of KPMG Consulting (now known as BearingPoint Consulting Co.), providing advisory services to international financial institutions and multinational companies on commerce, finance and corporate management. Prior to that, Mr. Shen was the director of the business development division of Theracor Pharmaceuticals Inc., an adviser to China Brilliance Group and a senior researcher and senior business analyst of Biogen Inc, Massachusetts, US.

Mr. Shen holds a bachelor degree in Biotech Engineering from East China University of Science and Technology as well as a master degree in Business Administration from Babson College, Massachusetts, US.

Mr. Xu Zhengning

Mr. Xu Zhengning is the deputy director of 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company, responsible for product development as well as system research and development, design, building and implementation.

Mr. Xu has nearly 15 years of experience in China's sports lottery business and possesses professional knowledge of the system design, lottery game development, technical implementation, maintenance and support of the computerised sports lottery system. Prior to joining the Group, Mr. Xu was a system engineer and project manager of 北京電彩計算機系統有限公司 (Beijing Lottery Computer Systems Co., Ltd.) and 中體彩科技發展有限公司 (China Sports Lottery Technology Development Co., Ltd.), respectively.

Mr. Xu graduated from Beijing Institute of Technology, majoring in computer applications.

Biographical Details of Directors and Senior Management

Mr. Geaspar Byrne, CFA

Mr. Geaspar Byrne is the Head of Corporate Development, Strategic Planning and Investor Relations of the Company.

Before joining the Company, Mr. Byrne was a director of Deutsche Bank. Mr. Byrne worked for Deutsche Bank for more than a decade as a Corporate Finance professional in London and New York, specialising in the Gaming & Leisure industry. In this capacity, Mr. Byrne gained extensive experience of multi-jurisdictional mergers and acquisitions as well as capital raisings of all types and was directly involved in many of the global Gaming industry's most significant transactions.

Mr. Byrne holds a bachelor degree (Hons) in Financial & Business Economics from Newcastle University and is a Chartered Financial Analyst (CFA) charterholder.

Mr. Wong Wai Sing

Mr. Wong Wai Sing is the company secretary, authorised representative and senior financial controller of the Company. Mr. Wong is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong holds a master degree in professional accounting from the Hong Kong Polytechnic University. He had over 22 years of experience worked for various multinational and Hong Kong listed companies. He possesses extensive professional experience in the financial and accounting functions. He also has over 9 years of experience practising as company secretary for companies listed on the Main Board and GEM Board of the Stock Exchange. Mr. Wong is responsible for overseeing the company secretarial, financial reporting and accounting functions of the Group. He has been appointed as member of corporate governance committee of the Company since 23 March 2012.

Ms. Lo Kei Chi

Ms. Lo Kei Chi is the financial controller of the Company. Ms. Lo holds a bachelor degree in Arts from the University of Hong Kong. Ms. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia and has over 18 years of experience in accounting. Prior to joining the Company, Ms. Lo had worked as finance manager in a multinational company.

Ms. Lam Yan Tung Connie, CFA

Ms. Lam Yan Tung Connie, is the Vice President – Corporate Finance/Assistant to Chairman of the Company. Ms. Lam has extensive experience in corporate finance and investment banking, and is primarily responsible for the Group's mergers and acquisitions, corporate finance, project planning, investor relations and public communications. She started working for the Group's Chairman in 2001 at Burwill Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange, and was involved in various equity investment and corporate finance projects. During the three-year period from 2004 to 2006, she worked for certain investment banking institutions in Hong Kong, providing advisory services to listed companies on initial public offerings, mergers and acquisitions, and other corporate finance activities. In 2006, Ms. Lam joined China LotSynergy Holdings Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange, and joined the Group in the same year.

Biographical Details of Directors and Senior Management

Ms. Lam holds a bachelor degree in Business Administration (First Class Honours) from City University of Hong Kong and a master degree in Corporate Finance from the Hong Kong Polytechnic University. She is a Chartered Financial Analyst (CFA) charterholder and a member of the Hong Kong Society of Financial Analysts.

Mr. Adam Greenblatt

In August 2011, Mr Adam Greenblatt is appointed as a director of two of the Company's subsidiaries, namely Asia Gaming Technologies Limited and 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.), having previously been appointed in 2010 as Director of Corporate and Strategic Development at Ladbrokes, a major UK-listed international betting and gaming company, Mr. Greenblatt began his career as a Chartered Accountant in the UK with Arthur Anderson before moving into mergers and acquisitions at renowned international investment bank Rothschild, specialising in betting and gaming. Mr. Greenblatt left his role as Director of European Investment Banking in 2008 to effect the successful turnaround of a manufacturing business. He then launched a European internet business focusing on the online recruitment market, before most recently moving back into the betting and gaming sector to join Ladbrokes.

Mr. Cliff Baty

Mr. Cliff Baty is a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.). He joined Ladbrokes plc (previously named as Hilton Group plc) as Group Financial Controller in 2004. In 2007, Mr. Baty became a director of the Ladbroke's Spanish and Italian operations and in 2009 was appointed Finance Director for the Online and Telephone Betting divisions. Mr. Baty's current role is Finance Director for the Ladbrokes International businesses and Corporate Development. Prior to this, Mr. Baty worked at Ernst & Young in the energy practice. He holds a chemistry degree from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Michael Charlton

Mr. Michael Charlton, appointed as a director of two of the Company's subsidiaries, namely, Asia Gaming Technologies Limited and 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) in September 2011, has over 16 years' experience in the Leisure & Gaming industry and is currently responsible for developing Ladbrokes PLC's international business in the Asian region. Mr. Charlton joined Ladbrokes PLC following his graduation from Glasgow University in 1995. During his time with Ladbrokes PLC he has held various senior management positions, initially within the Retail sector of the business before joining the International Department in 2005. Mr. Charlton is currently China General Manager for Ladbrokes PLC and serving as a director of Ladbrokes Lottery (Asia) Co. Limited.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 74 and 75.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group for the year under review are set out in the consolidated statement of changes in equity.

The Company has no reserves available for distribution to the Shareholders at both balance sheet dates.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the year ended 31 December 2012 and past 4 financial period and years from the year ended 30 June 2009 is set out on page 70.

DIRECTORS

The Directors during the year under review and up to the date of this report are:

Executive Directors:

Mr. Sun Ho	(appointed on 19 July 2006)
Mr. Robert Geoffrey Ryan	(appointed on 21 May 2007)
Mr. Bai Jinmin	(appointed on 19 September 2007)
Mr. Liang Yu	(appointed on 23 April 2008)

Non-executive Director:

Ms. Yang Yang (appointed on 3 December 2007)

Independent Non-executive Directors:

Mr. Wang Ronghua	(appointed on 19 July 2006)
Mr. Hua Fengmao	(appointed on 19 July 2006)
Mr. Kwok Wing Leung Andy	(appointed on 19 July 2006)

In accordance with Bye-laws 86 and 87 of the Company, certain remaining Directors (namely, Mr. Wang Ronghua, Mr. Hua Fengmao and Mr. Kwok Wing Leung Andy) will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE AGREEMENTS

Mr. Sun Ho was appointed as an executive Director under a service agreement with no fixed term of service commencing from 19 July 2006. The service agreement shall continue thereafter until terminated by either party thereto giving the other party not less than one month's notice in writing.

Mr. Robert Geoffrey Ryan was appointed as an executive Director under a service agreement for a term of two years expiring on 30 April 2013, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Ryan was also appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Mr. Bai Jinmin was appointed as an executive Director under a service agreement for a term of three years expiring on 18 September 2014, and during the said three-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Bai was also appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Mr. Liang Yu was appointed as an executive Director under a service agreement for a term of two years expiring on 22 April 2014, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Liang was also appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Ms. Yang Yang was appointed as a non-executive Director under a service agreement for a term of two years expiring on 2 December 2013, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than one month's notice in writing.

Each of Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao was appointed as independent non-executive Director under a service agreement for a term of two years expiring on 18 July 2014, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than one month's notice in writing.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) 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); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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:

a. Interests in ordinary Shares:

	Number of Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Approximate percentage held**
Mr. Sun Ho	27,078,000	2,006,250,000 *(Note 1)*	2,033,328,000	52.90%
Mr. Robert Geoffrey Ryan	5,347,750	–	5,347,750	0.14%
Mr. Bai Jinmin	6,687,500	44,876,600 *(Note 2)*	51,564,100	1.34%
Mr. Liang Yu	6,187,500	–	6,187,500	0.16%
Ms. Yang Yang	414,375	–	414,375	0.01%
Mr. Wang Ronghua	2,275,000	–	2,275,000	0.06%
Mr. Hua Fengmao	1,355,000	–	1,355,000	0.04%

Notes:

1. *These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, 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 Jinmin, an Executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.*

b. Long position 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)*	As at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2012	Approximate percentage of the Company's issued share capital
			Number of underlying Shares entitled (in respect of share options of the Company)						
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2013	6,687,500	–	–	(3,343,750)	3,343,750	0.09%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	–	–	21,264,000	0.55%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	–	3,500,000	–	–	3,500,000	0.09%
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2013	6,687,500	–	–	(3,343,750)	3,343,750	0.09%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	–	–	21,264,000	0.55%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	–	3,500,000	–	–	3,500,000	0.09%
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2013	6,687,500	–	–	(3,343,750)	3,343,750	0.09%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	–	–	21,264,000	0.55%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	–	3,500,000	–	–	3,500,000	0.09%
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2013	668,750	–	–	(334,375)	334,375	0.01%
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	–	–	2,000,000	0.05%
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	–	–	2,000,000	0.05%
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	–	–	2,000,000	0.05%
Mr. Kwok Wing Leung Andy	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	–	–	2,000,000	0.05%

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 of the 4 years 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 31 December 2012, none of the Directors and chief executives 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 were required (a) 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); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, so far as was known to the Directors or chief executives of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Interests in the Shares:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner *(Note)*	2,006,250,000	52.19%
Hegglin, Daniel Robert	Investor	232,939,933	6.06%

Note: As disclosed above, Mr. Sun Ho was deemed to be interested in those 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.

Save as disclosed above, as at 31 December 2012, the Directors or chief executives of the Company were not aware of any other substantial Shareholder (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 31 December 2012, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives and substantial Shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float of the Shares, representing no less than 25% of the total issued Shares as required under the GEM Listing Rules.

SHARE OPTIONS

Particulars of the Company's Share Option Scheme and details of movements in the share options under such scheme during the year under review are set out in note 38 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year under review attributable to the Group's major customers were as follows:

– the largest customer	20.70%
– five largest customers combined	65.91%

The percentages of purchases for the year under review was attributable to the Group's major supplier were as follows:

– the largest supplier	41.10%
– five largest suppliers combined	91.24%

At no time during the year under review did the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholder of the Company and their respective associates had an interest in a business, which competes or may compete with the businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is formulated by the remuneration committee on the basis of their performance, qualifications and competence. As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may also be granted share options by the Company from time to time pursuant to the Share Option Scheme.

The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated financial statements of the Group for the year ended 31 December 2012 have been reviewed and commented on by the audit committee.

AUDITORS

HLB Hodgson Impey Cheng Limited, the auditors of the Company, will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sun Ho
Chairman & CEO

21 March 2013

Financial Summary

RESULTS

	For the period				
	1 January – 31 December 2012 HK$	1 January – 31 December 2011 HK$	1 January – 31 December 2010 HK$	1 July – 31 December 2009 HK$	1 July 2008 – 30 June 2009 HK$
Revenue					
– continuing operations	**229,328,500**	111,340,140	105,143,580	33,822,293	58,988,495
– discontinued operation	**–**	–	–	340,447	2,633,483
Total	**229,328,500**	111,340,140	105,143,580	34,162,740	61,621,978
Gross profit	**101,634,588**	73,450,970	64,360,789	20,585,400	25,108,250
Loss for the year attributable to owners of the Company					
– continuing operations	**(32,862,140)**	(43,248,756)	(37,798,646)	(44,268,184)	(189,237,306)
– discontinued operation	**–**	–	–	8,897,185	(262,425)
Total	**(32,862,140)**	(43,248,756)	(37,798,646)	(35,370,999)	(189,499,731)

ASSETS AND LIABILITIES

	As at				
	31 December 2012 HK$	31 December 2011 HK$	31 December 2010 HK$	31 December 2009 HK$	30 June 2009 HK$
Total assets	**1,152,177,400**	1,218,157,636	1,087,202,198	1,036,008,408	1,073,894,601
Total liabilities	**(86,826,440)**	(137,548,916)	(45,025,145)	(30,465,966)	(36,812,081)
	1,065,350,960	1,080,608,720	1,042,177,053	1,005,542,442	1,037,082,520
Equity attributable to					
owners of the Company	**1,063,224,359**	1,080,007,379	1,039,252,415	1,002,482,563	1,034,828,450
non-controlling interests	**2,126,601**	601,341	2,924,638	3,059,879	2,254,070
	1,065,350,960	1,080,608,720	1,042,177,053	1,005,542,442	1,037,082,520

AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

2012 Financial Report

Financial Contents

Independent Auditors' Report

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF AGTECH HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 166, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Jonathan T. S. Lai
Practising Certificate Number: P04165

Hong Kong, 21 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
Revenue	7	**229,328,500**	111,340,140
Cost of sales and services		**(127,693,912)**	(37,889,170)
Gross profit		**101,634,588**	73,450,970
Investment and other income	9	**2,129,696**	2,791,612
Other gains and losses	10	**78,119**	(2,527,850)
Selling and administrative expenses		**(102,520,167)**	(72,112,607)
Share of losses of a jointly controlled entity	22	**(2,750)**	–
Share of profits of an associate	21	**–**	5,736,740
Profit from business operations		**1,319,486**	7,338,865
Gain on acquisition of additional interest in an associate	36(a)	**–**	2,700,624
Share-based payments		**(9,997,944)**	(7,320,587)
Net foreign exchange loss		**(148,949)**	(341,338)
Amortisation of other intangible assets	20	**(19,442,475)**	(42,714,031)
Finance costs	11	**(2,225,762)**	(3,845,390)
Loss before tax		**(30,495,644)**	(44,181,857)
Income tax expense	12	**(853,032)**	(1,490,909)
Loss for the year	13	**(31,348,676)**	(45,672,766)
Other comprehensive income, net of income tax			
Translation differences on translating foreign operations		**6,171,091**	31,469,483
Reclassification adjustment on translation difference upon acquisition of additional interest in an associate		**–**	(3,233,944)
Translation differences released upon disposals of subsidiaries		**(78,119)**	2,527,850
Share of other comprehensive income of an associate	21	**–**	1,682,953
Other comprehensive income for the year, net of income tax		**6,092,972**	32,446,342
Total comprehensive income for the year		**(25,255,704)**	(13,226,424)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
Loss attributable to:			
Owners of the Company		**(32,862,140)**	(43,248,756)
Non-controlling interests		**1,513,464**	(2,424,010)
		(31,348,676)	(45,672,766)
Total comprehensive income attributable to:			
Owners of the Company		**(26,780,964)**	(10,903,127)
Non-controlling interests		**1,525,260**	(2,323,297)
		(25,255,704)	(13,226,424)
Loss per Share			
Basic and diluted	16	**HK0.85 cent**	HK1.17 cents

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment	17	**54,158,208**	60,645,058
Goodwill	18	**772,518,603**	767,997,278
Other intangible assets	20	**3,135,488**	22,413,061
Investment in a jointly controlled entity	22	**647,250**	–
Deposits and prepayments	26	**16,466,487**	24,600,112
Other assets		**1,746,884**	1,736,660
Deferred tax assets	23	**3,488,071**	3,138,691
		852,160,991	880,530,860
Current assets			
Inventories	24	**24,477,548**	24,226,521
Trade receivables	25	**77,077,646**	81,015,011
Other receivables, deposits and prepayments	26	**42,336,355**	73,393,994
Amount due from a jointly controlled entity	22	**5,500**	–
Pledged bank deposits	28	**18,453,000**	26,612,786
Bank balances and cash	27	**137,666,360**	132,378,464
		300,016,409	337,626,776
Current liabilities			
Trade payables	29	**4,714,449**	14,590,727
Accruals and other payables	30	**33,497,691**	25,572,307
Amount due to a jointly controlled entity	22	**650,000**	–
Secured bank borrowings	31	**17,550,000**	61,150,000
Current tax liabilities		**2,662,984**	4,695,301
		59,075,124	106,008,335
Net current assets		**240,941,285**	231,618,441
Total assets less current liabilities		**1,093,102,276**	1,112,149,301

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**2012 HK$**	2011 HK$
Non-current liabilities			
Provision for warranties	32	**23,152,758**	20,707,471
Deferred tax liabilities	23	**4,598,558**	10,833,110
		27,751,316	31,540,581
Net assets		**1,065,350,960**	1,080,608,720
Capital and reserves			
Share capital	33	**7,687,907**	7,687,907
Reserves		**1,055,536,452**	1,072,319,472
Equity attributable to owners of the Company		**1,063,224,359**	1,080,007,379
Non-controlling interests		**2,126,601**	601,341
Total equity		**1,065,350,960**	1,080,608,720

The consolidated financial statements were approved and authorised for issue by the Board on 21 March 2013 and were signed on its behalf by:

Sun Ho
Director

Robert Geoffrey Ryan
Director

Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$	2011 HK$
Non-current assets			
Investments in subsidiaries	40	**–**	–
Current assets			
Amounts due from subsidiaries	40	**1,071,240,818**	1,071,418,067
Deposits and prepayments	26	**310,626**	401,353
Amount due from a jointly controlled entity	22	**5,500**	–
Bank balances and cash	27	**12,687,536**	3,188,725
		1,084,244,480	1,075,008,145
Current liabilities			
Accruals and other payables	30	**1,242,444**	1,351,646
Amounts due to subsidiaries	40	**213,631**	219,961
Secured bank borrowings	31	**17,550,000**	–
		19,006,075	1,571,607
Net current assets		**1,065,238,405**	1,073,436,538
Net assets		**1,065,238,405**	1,073,436,538
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	33	**7,687,907**	7,687,907
Reserves	41	**1,057,550,498**	1,065,748,631
Total equity		**1,065,238,405**	1,073,436,538

Sun Ho
Director

Robert Geoffrey Ryan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$ *(Note 33)*	Share premium HK$	Share options reserve HK$	Statutory reserve HK$ *(Note (a))*	Exchange reserve HK$	Contributed surplus HK$ *(Note (b))*	Accumulated losses HK$	Subtotal HK$	Attributable to non-controlling interests HK$	Total HK$
Balance at 1 January 2011	7,356,321	1,076,602,404	188,193,324	3,134,905	125,681,032	47,191,476	(408,907,047)	1,039,252,415	2,924,638	1,042,177,053
Loss for the year	–	–	–	–	–	–	(43,248,756)	(43,248,756)	(2,424,010)	(45,672,766)
Other comprehensive income for the year	–	–	–	–	32,345,629	–	–	32,345,629	100,713	32,446,342
Total comprehensive income for the year	–	–	–	–	32,345,629	–	(43,248,756)	(10,903,127)	(2,323,297)	(13,226,424)
Recognition of equity-settled share-based payments	–	–	7,320,587	–	–	–	–	7,320,587	–	7,320,587
Shares issued on exercise of part of share options	71,586	61,812,523	(53,946,605)	–	–	–	–	7,937,504	–	7,937,504
Lapse of share options	–	–	(9,179,266)	–	–	–	9,179,266	–	–	–
Issue of Shares upon acquisition of subsidiaries *(Note 36(b))*	260,000	36,140,000	–	–	–	–	–	36,400,000	–	36,400,000
Transfer from accumulated losses	–	–	–	2,864,421	–	–	(2,864,421)	–	–	–
Balance at 31 December 2011 and 1 January 2012	7,687,907	1,174,554,927	132,388,040	5,999,326	158,026,661	47,191,476	(445,840,958)	1,080,007,379	601,341	1,080,608,720
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(32,862,140)**	**(32,862,140)**	**1,513,464**	**(31,348,676)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**6,081,176**	**–**	**–**	**6,081,176**	**11,796**	**6,092,972**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**6,081,176**	**–**	**(32,862,140)**	**(26,780,964)**	**1,525,260**	**(25,255,704)**
Recognition of equity-settled share-based payments	**–**	**–**	**9,997,944**	**–**	**–**	**–**	**–**	**9,997,944**	**–**	**9,997,944**
Lapse of share options	**–**	**–**	**(67,068,704)**	**–**	**–**	**–**	**67,068,704**	**–**	**–**	**–**
Transfer from accumulated losses	**–**	**–**	**–**	**4,747,305**	**–**	**–**	**(4,747,305)**	**–**	**–**	**–**
Balance at 31 December 2012	**7,687,907**	**1,174,554,927**	**75,317,280**	**10,746,631**	**164,107,837**	**47,191,476**	**(416,381,699)**	**1,063,224,359**	**2,126,601**	**1,065,350,960**

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 a prior year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(30,495,644)**	(44,181,857)
Adjustments for:			
Gain on acquisition of additional interest in an associate	36(a)	**–**	(2,700,624)
Waiver of an amount due to a former associate		**–**	(1,333,622)
Share of losses of a jointly controlled entity		**2,750**	–
Share of profits of an associate		**–**	(5,736,740)
Expenses recognised in respect of equity-settled share-based payments		**9,997,944**	7,320,587
Depreciation of property, plant and equipment		**10,581,439**	6,671,956
Amortisation of other intangible assets		**19,442,475**	42,714,031
Provision for warranties		**10,149,932**	1,287,437
Reversal of provision for warranties		**(1,471,568)**	–
Loss on disposal of property, plant and equipment		**50,349**	47,440
Uncollectable amounts of other receivables, deposits and prepayments written off		**70,770**	1,955,370
Net (gains)/losses on disposals of subsidiaries		**(78,119)**	2,527,850
Bank interest income		**(1,900,060)**	(1,187,628)
Finance costs recognised in profit or loss		**2,225,762**	3,845,390
		18,576,030	11,229,590
Movements in working capital			
(Increase)/decrease in inventories		**(2,984,216)**	1,067,103
Decrease in deposits and prepayments		**8,133,625**	8,758,879
Decrease in trade receivables		**3,937,365**	20,063,459
Decrease/(increase) in other receivables, deposits and prepayments		**31,117,147**	(4,353,238)
Increase in amount due from a jointly controlled entity		**(5,500)**	–
(Decrease)/increase in trade payables		**(9,876,278)**	2,879,567
Increase/(decrease) in accruals and other payables		**7,907,147**	(16,323,147)
Decrease in provision for warranties		**(1,897,167)**	–
Cash generated from operations		**54,908,153**	23,322,213
Income taxes paid		**(9,554,414)**	(8,855,292)
NET CASH GENERATED BY OPERATING ACTIVITIES		**45,353,739**	14,466,921

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,769,492**	1,187,628
Payments for property, plant and equipment		**(5,910,852)**	(1,049,887)
Proceeds from disposal of property, plant and equipment		**422,518**	198,091
Net cash outflows on acquisition of subsidiaries	36	**–**	(68,479,670)
Decrease/(increase) in pledged bank deposits		**8,159,786**	(24,458,592)
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES		**4,440,944**	(92,602,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares		**–**	7,937,504
Proceeds from secured bank borrowings		**17,550,000**	61,150,000
Repayments of secured bank borrowings		**(61,150,000)**	–
Interest paid		**(2,207,525)**	(3,845,390)
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES		**(45,807,525)**	65,242,114
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,987,158**	(12,893,395)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**132,378,464**	140,867,489
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		**1,300,738**	4,404,370
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**137,666,360**	132,378,464
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**137,666,360**	132,378,464

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 2012, 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 provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC. Details of the principal activities of such principal subsidiaries are set out in Note 40.

The consolidated financial statements are presented in HK$. The functional currency of the Company is RMB. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$.

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

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations (the "new and revised HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The adoption of the new and revised HKFRS has no material effect on the consolidated financial statements of the Group for the current or prior years.

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

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

HKFRS (Amendments)	Annual Improvements to 2009 – 2011 Cycle[1]
HKFRS 1 (Amendments)	First-time adoption of HKFRS – Government Loans[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

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

HKFRS 9 *Financial Instruments* (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRS for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have a significant impact on the amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

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

Amendments to HKFRS 7 and HKAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures* (continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

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.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

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

All intra-group transactions, balances, income and expenses 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control over a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 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 at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised 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 (see the accounting policy above) 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. 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 an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a jointly controlled entity 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 associate or jointly controlled entity. When the Group's share of losses of an associate or a jointly controlled entity exceeds the Group's interest in that associate or jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or jointly controlled entity), 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 associate or jointly controlled entity.

An investment is accounted for using the equity method from the date on which the investee becomes an associate or a jointly controlled entity. On acquisition of the investment in an associate or a jointly controlled entity, 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 investment, after reassessment, is recognised immediately in profit or loss.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition of the associate, after reassessment, is recognised immediately in profit or loss.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see the accounting policy above).

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 an associate or a jointly controlled entity. 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 to sell) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a jointly controlled entity or when the investment (or a portion of the investment) meets the criteria to be classified as held for sale. When the Group retains an interest in the former associate or jointly controlled entity 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 associate or jointly controlled entity 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 associate or jointly controlled entity is included in the determination of the gain or loss on disposal of the associate or jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or jointly controlled entity on the same basis as would be required if that associate or jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or jointly controlled entity 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 an associate becomes an investment in a jointly controlled entity or an investment in a jointly controlled entity becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a jointly controlled entity of the Group, profits and losses resulting from the transactions with the associate or jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or jointly controlled entity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 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 for own use

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at 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 at 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 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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 associates or jointly controlled entities that do not result in the Group losing significant influence or 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 arising on the 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 equity under the heading of exchange reserve.

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 expenses when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ultimately 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.

Share options granted to consultants in an equity-settled share-based payment arrangement

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

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 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 accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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 (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 are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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 each 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 sell 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 by 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 timeframe 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading 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 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. 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 loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets (continued)

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. Loans and receivables (including trade receivables, other receivables and deposits, amount due from a jointly controlled entity, pledged bank deposits 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 each 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 investment 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
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 equity. In respect of AFS debt investments, impairment losses are subsequently reserved 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 either held for trading or it is designated as at FVTPL on initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading 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 incorporates any interest paid on the financial liability and is included in the consolidated statement of 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 jointly controlled entity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 over 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); and

  (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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, management is 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 is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

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. The carrying amount of goodwill at 31 December 2012 was HK$772,518,603 (2011: HK$767,997,278). Details of the recoverable amount calculation are set out in Note 18.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 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 2011.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables, amount due to a jointly controlled entity and secured bank borrowings 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 is as follows:

	2012 **HK$**	2011 HK$
Debt	**56,412,140**	101,313,034
Less: Cash and cash equivalents	**137,666,360**	132,378,464
Net debt	**(81,254,220)**	(31,065,430)
Equity attributable to owners of the Company	**1,063,224,359**	1,080,007,379
Net debt-to-equity ratio	**N/A**	N/A

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Notes	2012 HK$	2011 HK$
Financial assets			
Loans and receivables			
Trade receivables	25	**77,077,646**	81,015,011
Financial assets included in other receivables, deposits and prepayments	26	**33,682,204**	54,587,354
Amount due from a jointly controlled entity	22	**5,500**	–
Pledged bank deposits	28	**18,453,000**	26,612,786
Bank balances and cash	27	**137,666,360**	132,378,464
		266,884,710	294,593,615
Financial liabilities			
Financial liabilities at amortised cost			
Trade payables	29	**4,714,449**	14,590,727
Financial liabilities included in accruals and other payables	30	**23,240,101**	18,181,587
Amount due to a jointly controlled entity	22	**650,000**	–
Secured bank borrowings	31	**17,550,000**	61,150,000
		46,154,550	93,922,314

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a jointly controlled entity, pledged bank deposits, bank balances and cash, trade payables, accruals and other payables, amount due to a jointly controlled entity and secured bank borrowings. 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.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

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 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 fair value interest rate risk relates primarily to fixed rate borrowings from a financial institution, further details of the borrowings are set out in Note 31 to the consolidated financial statements. The Group's cash flow interest rate risk relates primarily to variable rate bank balances.

The Group does not enter into any derivative financial instruments in order to mitigate its exposure associated with fluctuations relating to fair value of those borrowings nor 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 the presentation of sensitivity analysis 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 2012, 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.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk management (continued)

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 2012, the Group is subject to concentration of credit risk as 30% (2011: 32%) and 55% (2011: 70%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. 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.

As at 31 December 2012, the Group has available unutilised short-term bank loan facilities of approximately HK$17,450,000 (2011: nil). Further drawdowns require letter of guarantee to be issued by a designated bank. The drawdown shall not exceed 95% of the amount of the underlying letter of guarantee.

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For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

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	Total undiscounted cash flows	Carrying amounts
	%	HK$	HK$	HK$
At 31 December 2012				
Non-derivative financial liabilities				
Trade payables	**–**	**4,714,449**	**4,714,449**	**4,714,449**
Accruals and other payables	**–**	**23,240,101**	**23,240,101**	**23,240,101**
Amount due to a jointly controlled entity	**–**	**650,000**	**650,000**	**650,000**
Secured bank borrowings	**3.86%**	**18,085,111**	**18,085,111**	**17,550,000**
		46,689,661	**46,689,661**	**46,154,550**
At 31 December 2011				
Non-derivative financial liabilities				
Trade payables	–	14,590,727	14,590,727	14,590,727
Accruals and other payables	–	18,181,587	18,181,587	18,181,587
Secured bank borrowings	10%	63,731,889	63,731,889	61,150,000
		96,504,203	96,504,203	93,922,314

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of other financial assets and financial liabilities (excluding those described above and derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the years ended 31 December 2012 and 2011, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2012 and 2011, the Group did not have any assets and liabilities that are measured at the above fair value hierarchy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC for the year, and is analysed as follows:

	2012	2011
	HK$	HK$
Provision of sports lottery management and marketing consultancy services	**77,685,675**	86,038,208
Provision of gaming technologies (game software, systems, hardware and terminals) business	**151,642,825**	25,301,932
	229,328,500	111,340,140

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 turnover 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 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.

8. SEGMENT INFORMATION (continued)

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*	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
PRC	**229,260,426**	111,340,140	**845,274,739**	872,216,613
Hong Kong	**–**	–	**3,398,181**	5,175,556
Others	**68,074**	–	**–**	–
	229,328,500	111,340,140	**848,672,920**	877,392,169

* 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:

	2012	2011
	HK$	HK$
Customer A	**48,163,829**	54,373,614
Customer B	**26,352,601**	18,610,285
Customer C	**27,786,415**	11,474,602
Customer D	**25,551,135**	N/A[1]
Customer E	**23,975,002**	N/A[1]
	151,828,982	84,458,501

[1] The corresponding revenue did not contribute over 10% or more to the Group's revenue in the prior year.

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For the year ended 31 December 2012

9. INVESTMENT AND OTHER INCOME

	2012 HK$	2011 HK$
Interest income on bank deposits	**1,900,060**	1,187,628
Waiver of an amount due to a former associate	**–**	1,333,622
Sundry income	**229,636**	270,362
	2,129,696	2,791,612

10. OTHER GAINS AND LOSSES

	2012 HK$	2011 HK$
Net gains/(losses) on disposals of subsidiaries *(Note 37)*	**78,119**	(2,527,850)

11. FINANCE COSTS

	2012 HK$	2011 HK$
Interest on secured bank borrowings wholly repayable within five years	**2,225,762**	3,845,390

12. INCOME TAX EXPENSE

	2012 HK$	2011 HK$
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**5,870,699**	10,128,252
Under provision in prior year:		
– PRC EIT	**393,389**	511,004
Deferred tax *(Note 23)*:		
– Current year	**(5,411,056)**	(9,148,347)
Total income tax recognised in profit or loss	**853,032**	1,490,909

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 the year ended 31 December 2012 (2011: nil).

GOT is subject to PRC EIT at 15% for both years as GOT is 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.

The tax charge for the year can be reconciled to loss before tax per the consolidated statement of comprehensive income as follows:

	2012 HK$	2011 HK$
Loss before tax	**(30,495,644)**	(44,181,857)
Tax at domestic income tax rate	**(5,806,623)**	(8,438,260)
Tax effect of expenses not deductible for tax purpose	**8,212,070**	16,093,898
Tax effect of income not taxable for tax purpose	**(6,373,497)**	(1,456,989)
Tax effect of unrecognised estimated tax losses	**9,838,749**	3,929,603
Under provision in prior year	**393,389**	511,004
Deferred taxation arising from dividend withholding tax	**–**	1,225,080
Reversal of temporary differences	**(5,411,056)**	(10,373,427)
Income tax expense for the year	**853,032**	1,490,909

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2012	2011
	HK$	HK$
Auditors' remuneration	**950,000**	950,000
Cost of inventories recognised as an expense (included in cost of sales and services)	**74,397,230**	11,663,678
Provision for warranties (included in cost of sales and services)	**10,149,932**	1,287,437
Reversal of provision for warranties (included in cost of sales and services)	**(1,471,568)**	–
Depreciation of property, plant and equipment	**10,581,439**	6,671,956
Net losses on disposals of property, plant and equipment	**50,349**	47,440
Operating lease rentals in respect of rented premises	**8,547,123**	5,176,044
Research and development costs expensed as incurred	**10,641,208**	3,805,013
Uncollectible amounts of other receivables, deposits and prepayments written off	**70,770**	1,955,370
Employee benefits expense, including Directors' remunerations *(Note 14)*:		
Fees, salaries, discretionary bonuses and other benefits	**45,708,445**	27,759,970
Share-based payments	**8,922,469**	3,516,476
Social security costs	**6,870,932**	3,469,048
Contributions to retirement benefits schemes	**131,828**	133,431
Total employee benefits expense	**61,633,674**	34,878,925

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2011: eight) Directors were as follows:

For the year ended 31 December 2012

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefits schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	3,600,000	300,000	–	13,750	3,913,750
Mr. Robert Geoffrey Ryan	2,093,532	138,461	1,355,455	–	3,587,448
Mr. Bai Jinmin	1,497,841	249,474	1,357,846	13,750	3,118,911
Mr. Liang Yu	1,231,097	102,330	1,559,917	88,516	2,981,860
Non-executive Director:					
Ms. Yang Yang	200,000	–	145,434	–	345,434
Independent non-executive Directors:					
Mr. Wang Ronghua	100,000	–	120,948	–	220,948
Mr. Hua Fengmao	100,000	–	120,948	–	220,948
Mr. Kwok Wing Leung Andy	100,000	–	120,948	–	220,948
Total emoluments	8,922,470	790,265	4,781,496	116,016	14,610,247

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2011

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefits schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	3,600,000	300,000	–	12,000	3,912,000
Mr. Robert Geoffrey Ryan	2,093,532	138,461	407,413	–	2,639,406
Mr. Bai Jinmin	1,498,289	508,902	609,007	12,000	2,628,198
Mr. Liang Yu	1,235,259	229,321	798,025	77,360	2,339,965
Non-executive Director:					
Ms. Yang Yang	200,000	–	79,566	–	279,566
Independent non-executive Directors:					
Mr. Wang Ronghua	100,000	–	3,748	–	103,748
Mr. Hua Fengmao	100,000	–	3,748	–	103,748
Mr. Kwok Wing Leung Andy	100,000	–	3,748	–	103,748
Total emoluments	8,927,080	1,176,684	1,905,255	101,360	12,110,379

Mr. Sun Ho is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the year, no emoluments were paid by the Group to any of the Directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2011: nil). None of the Directors or chief executive has waived any emoluments during the year (2011: nil).

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were Directors or chief executive whose emoluments are included in the disclosures in Note 14 above. The emoluments of the remaining one (2011: one) individual were as follows:

	2012 HK$	2011 HK$
Salaries and other benefits	**571,664**	520,762
Social security costs	**88,921**	78,224
Discretionary bonus	**42,000**	47,778
Share-based payments	**1,365,803**	407,413
	2,068,388	1,054,177

The emoluments were within the following bands:

	2012 Number of employees	2011 Number of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	1	1

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: nil).

16. 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 2012 of HK$32,862,140 (2011: HK$43,248,756) and the weighted average number of 3,843,953,375 Shares (2011: 3,695,841,700 Shares) in issue during the year ended 31 December 2012.

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.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Sports lottery sales terminals	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
COST							
Balance at 1 January 2011	870,789	17,916,533	2,577,909	4,574,796	1,975,040	7,426,931	35,341,998
Additions	–	–	–	834,187	63,849	151,851	1,049,887
Disposals	–	–	–	(291,974)	(60,760)	(339,200)	(691,934)
Acquisitions through business combinations *(Note 36)*	45,770,121	–	262,200	109,095	3,850,975	621,349	50,613,740
Effect of foreign currency exchange differences	1,276	641,881	74,866	128,087	44,500	191,623	1,082,233
Balance at 31 December 2011 and 1 January 2012	46,642,186	18,558,414	2,914,975	5,354,191	5,873,604	8,052,554	87,395,924
Additions	–	–	312,057	818,393	3,828,525	951,877	5,910,852
Disposals	–	(1,980,718)	(39,516)	(195,397)	(1,494,627)	(425,078)	(4,135,336)
Effect of foreign currency exchange differences	274,590	113,658	13,649	24,227	25,342	34,015	485,481
Balance at 31 December 2012	46,916,776	16,691,354	3,201,165	6,001,414	8,232,844	8,613,368	89,656,921
DEPRECIATION							
Balance at 1 January 2011	108,849	8,880,029	2,357,373	2,883,226	1,535,719	4,102,303	19,867,499
Depreciation expense	293,150	3,717,977	199,440	852,474	341,569	1,320,443	6,725,053
Eliminated on disposals of assets	–	–	–	(251,065)	(33,203)	(162,135)	(446,403)
Effect of foreign currency exchange differences	3,402	311,825	66,811	73,319	31,649	117,711	604,717
Balance at 31 December 2011 and 1 January 2012	405,401	12,909,831	2,623,624	3,557,954	1,875,734	5,378,322	26,750,866
Depreciation expense	3,568,172	3,740,555	113,256	962,292	2,533,412	1,371,547	12,289,234
Eliminated on disposals of assets	–	(1,727,992)	(28,968)	(179,294)	(1,413,234)	(312,981)	(3,662,469)
Effect of foreign currency exchange differences	(5,543)	71,530	12,373	13,929	4,786	24,007	121,082
Balance at 31 December 2012	3,968,030	14,993,924	2,720,285	4,354,881	3,000,698	6,460,895	35,498,713
CARRYING AMOUNTS							
Balance at 31 December 2012	42,948,746	1,697,430	480,880	1,646,533	5,232,146	2,152,473	54,158,208
Balance at 31 December 2011	46,236,785	5,648,583	291,351	1,796,237	3,997,870	2,674,232	60,645,058

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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%

Depreciation expenses of HK$3,737,842 (2011: HK$3,715,282) has been expensed in cost of sales and services, HK$6,843,597 (2011: HK$2,956,674) in selling and administrative expenses and HK$1,707,795 (2011: HK$53,097) were allocated in the cost of inventories, respectively.

The Group's leasehold land and buildings were situated in the PRC and held under medium term lease.

At the end of the reporting period, leasehold land and buildings with the following carrying amounts have been pledged to secure short-term bank borrowings granted to the Group:

	2012	2011
	HK$	HK$
Leasehold land and buildings	**–**	45,492,647

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18. GOODWILL

	HK$
COST	
Balance at 1 January 2011	688,498,150
Additional amounts recognised from business combinations occurring during the year *(Note 36)*	54,846,990
Effect of foreign currency exchange differences	24,652,138
Balance at 31 December 2011 and 1 January 2012	767,997,278
Effect of foreign currency exchange differences	4,521,325
Balance at 31 December 2012	772,518,603
CARRYING AMOUNTS	
Balance at 31 December 2012	772,518,603
Balance at 31 December 2011	767,997,278

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

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:

	2012 **HK$**	2011 HK$
Information technology solutions	**3,149,228**	3,130,797
Consultancy services	**769,369,375**	764,866,481
	772,518,603	767,997,278

19. IMPAIRMENT TESTING ON GOODWILL (continued)

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 14.96% per annum (2011: 15.41%). 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.

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 (2011: 3%) and a discount rate of 15.23% per annum (2011: 14.84%). 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 valuer.

During the year ended 31 December 2012, management of the Group determined that there were no impairments of goodwill (2011: nil).

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20. OTHER INTANGIBLE ASSETS

	Club membership	Capitalised development costs	Non-competition agreements	Contracted Customer	Total
	HK$	HK$	HK$	HK$	HK$
COST					
Balance at 1 January 2011	1,741,936	2,674,957	5,842,104	198,248,976	208,507,973
Effect of foreign currency exchange differences	–	95,834	209,300	7,102,508	7,407,642
Balance at 31 December 2011 and 1 January 2012	1,741,936	2,770,791	6,051,404	205,351,484	215,915,615
Effect of foreign currency exchange differences	–	16,312	35,626	1,208,938	1,260,876
Balance at 31 December 2012	1,741,936	2,787,103	6,087,030	206,560,422	217,176,491
AMORTISATION AND IMPAIRMENT					
Balance at 1 January 2011	–	445,826	4,771,052	140,426,324	145,643,202
Amortisation expense	–	462,584	1,111,310	41,140,137	42,714,031
Effect of foreign currency exchange differences	–	15,187	169,042	4,961,092	5,145,321
Balance at 31 December 2011 and 1 January 2012	–	923,597	6,051,404	186,527,553	193,502,554
Amortisation expense	–	465,552	–	18,976,923	19,442,475
Effect of foreign currency exchange differences	–	4,402	35,626	1,055,946	1,095,974
Balance at 31 December 2012	–	1,393,551	6,087,030	206,560,422	214,041,003
CARRYING AMOUNTS					
Balance at 31 December 2012	1,741,936	1,393,552	–	–	3,135,488
Balance at 31 December 2011	1,741,936	1,847,194	–	18,823,931	22,413,061

20. OTHER INTANGIBLE ASSETS (continued)

The Directors consider that the club membership has indefinite useful life and is worth at least at its carrying amount by reference to the latest market prices.

The amount of the capitalised development costs represents the expenditure capitalised for development of certain sports lottery products. The amounts 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. INTEREST IN AN ASSOCIATE

	2012	2011
	HK$	HK$
Unlisted investment, at cost	**–**	47,877,431
Share of post-acquisition profits and other comprehensive income, net of dividends received	**–**	11,666,679
Upon acquisition of additional interest in GOT *(Note 36(a))*	**–**	(59,544,110)
	–	–

On 28 April 2010, the Group acquired 100% of the issued share capital of Exequs Co. Ltd., a company incorporated in the BVI, for a consideration of HK$51,447,070 to enhance the Group's supply of sports lottery sales terminals and accessories in the PRC. Exequs Co. Ltd. had no operations and its assets consisted of 35% indirect equity interest in an associate, namely 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) (formerly known as 北京長城高騰信息產品有限公司) ("GOT").

On 14 December 2011, the Group acquired the remaining 65% equity interest in GOT, thereby gaining control over GOT. GOT became an indirect wholly-owned subsidiary of the Company as from that date. Further details of the acquisition of additional interest in GOT are set out in Note 36(a) to the consolidated financial statements.

* English name is for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information in respect of the Group's associate is set out below:

	At 14 December 2011 HK$
Total assets	174,739,129
Total liabilities	(34,102,220)
Net assets	140,636,909

	Period from 1 January 2011 to 14 December 2011 HK$
Total revenue	98,821,994
Total profit for the period	16,390,685
Group's share of profits of an associate	5,736,740
Group's share of other comprehensive income of an associate	1,682,953

22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	2012 HK$	2011 HK$
Unlisted investment, at cost	**650,000**	–
Share of losses and other comprehensive income, net of dividends received	**(2,750)**	–
	647,250	–

22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

Details of the Group's jointly controlled entity 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
AG Inspired Lottech Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50% (indirect)	50% (indirect)	Investment holding

The amount due from/to a jointly controlled entity was unsecured, interest-free and repayable on demand.

Summarised financial information of the jointly controlled entity

Summarised financial information in respect of the Group's jointly controlled entity is set out below. The summarised financial information below represents amounts shown in the jointly controlled entity's financial statements prepared in accordance with HKFRS.

The jointly controlled entity is accounted for using the equity method in these consolidated financial statements.

	At 31 December 2012 HK$	At 31 December 2011 HK$
Current assets	**1,300,000**	–
Non-current assets	**–**	–
Current liabilities	**5,500**	–
Non-current liabilities	**–**	–

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22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

Summarised financial information of the jointly controlled entity (continued)

	Year ended 31 December 2012 HK$	Year ended 31 December 2011 HK$
Income	**–**	–
Expenses	**(5,500)**	–

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$
Balance at 1 January 2011	–
Acquisition through business combination *(Note 36(a))*	3,357,705
Effect of foreign currency exchange differences	(1,826)
Charge to profit or loss *(Note 12)*	(217,188)
Balance at 31 December 2011 and 1 January 2012	3,138,691
Effect of foreign currency exchange differences	17,741
Credit to profit or loss *(Note 12)*	331,639
Balance at 31 December 2012	3,488,071

23. DEFERRED TAXATION (continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$	Intangible assets HK$	Dividend withholding tax HK$	Total HK$
Balance at 1 January 2011	–	14,723,425	–	14,723,425
Recognised on business combination *(Note 36(a))*	4,935,061	–	–	4,935,061
Effect of foreign currency exchange differences	(3,181)	545,420	(2,080)	540,159
(Credit)/charge to profit or loss *(Note 12)*	(27,754)	(10,562,861)	1,225,080	(9,365,535)
Balance at 31 December 2011 and 1 January 2012	4,904,126	4,705,984	1,223,000	10,833,110
Effect of foreign currency exchange differences	29,618	38,247	2,780	70,645
Transfer to current taxation	–	–	(1,225,780)	(1,225,780)
Credit to profit or loss *(Note 12)*	(335,186)	(4,744,231)	–	(5,079,417)
Balance at 31 December 2012	4,598,558	–	–	4,598,558

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$56,385,000 (2011: approximately HK$49,144,000) 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$156,317,000 (2011: approximately HK$130,673,000) 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$5,653,000 (2011: approximately HK$5,760,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$150,664,000 (2011: approximately HK$124,913,000) 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

	2012 HK$	2011 HK$
Raw materials	**5,603,751**	12,772,274
Finished goods	**18,873,797**	11,454,247
	24,477,548	24,226,521

25. TRADE RECEIVABLES

	2012 HK$	2011 HK$
Trade receivables	**77,077,646**	81,015,011

The following is an analysis of trade receivables by age, presented based on the terms of the related contracts, net of allowance for doubtful debts:

	2012 HK$	2011 HK$
0 to 30 days	**75,090,285**	63,511,642
31 to 60 days	**143,088**	2,084,076
61 to 90 days	**320,624**	5,876,461
91 to 120 days	**73,450**	1,687,740
121 to 365 days	**839,261**	2,677,563
Over 365 days	**610,938**	5,177,529
	77,077,646	81,015,011

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period is 30 days (2011: 30 days). No interest is charged on trade receivables.

At 31 December 2012, 97.42% (2011: 78.39%) of the trade receivables are neither past due nor impaired relate to a number of independent customers that have a good track record with the Group. Of the trade receivables balance at the end of the reporting period, approximately 30% (2011: 32%) and 55% (2011: 70%) were due from the Group's largest customer and the five largest customers, respectively.

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.

25. TRADE RECEIVABLES (continued)

Age of trade receivables that are past due but not impaired

	2012	2011
	HK$	HK$
0 to 30 days	**143,088**	2,084,076
31 to 60 days	**320,624**	5,876,461
61 to 90 days	**73,450**	1,687,740
91 to 120 days	**839,261**	2,278,676
121 to 365 days	**–**	5,576,415
Over 365 days	**610,938**	–
Total	**1,987,361**	17,503,368
Average age (days)	**168**	115

There was no provision for impairment losses in respect of trade receivables from customers at 31 December 2012 (2011: nil).

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Deposits paid to suppliers	**2,081,834**	2,925,435	**–**	–
Prepayments	**25,120,638**	43,406,751	**310,626**	401,353
Rental, utility and guarantee deposits	**5,783,362**	1,905,076	**–**	–
Other receivables	**25,817,008**	49,756,844	**–**	–
	58,802,842	97,994,106	**310,626**	401,353
Less: Deposits and prepayments classified as non-current assets	**(16,466,487)**	(24,600,112)	**–**	–
	42,336,355	73,393,994	**310,626**	401,353

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.

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27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest at 0.001% – 1.53% per annum (2011: 0.001% – 0.50% per annum) with an original maturity of three months or less. At 31 December 2012, bank balances and cash of approximately HK$122,944,000 (2011: approximately HK$122,131,000) were denominated in RMB which are not freely convertible into other currencies.

28. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits held in certain designated bank accounts to secure short-term bank borrowings and letters of guarantee granted to the Group. The charges will be released upon settlement of relevant bank borrowings or expiry of the letters of guarantee. At 31 December 2012, the pledged bank deposits carry effective interest at 3.00% – 3.10% per annum (2011: 2.25% – 3.10%).

29. TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date:

	2012 **HK$**	2011 HK$
0 to 30 days	**4,361,688**	13,588,021
91 to 120 days	**295,408**	–
121 to 365 days	**–**	945,688
Over 365 days	**57,353**	57,018
	4,714,449	14,590,727

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.

30. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Receipts in advance	**2,825,873**	–	**–**	–
Accrued charges	**9,747,314**	2,910,975	**1,097,580**	1,343,846
Other payables	**20,924,504**	22,661,332	**144,864**	7,800
	33,497,691	25,572,307	**1,242,444**	1,351,646

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Other payables are non-interest-bearing.

31. SECURED BANK BORROWINGS

	2012	2011
	HK$	HK$
Secured term loans wholly repayable within one year	**17,550,000**	61,150,000

Notes:

(a) During the year ended 31 December 2012, the Group entered into HK$17,550,000 term-loan facilities with a bank and the loans were secured by a charge over letters of guarantee granted by another bank. The term loans bear interest at HIBOR plus 3% per annum. The weighted average effective interest rate on the bank loans is 3.86% per annum.

(b) During the year ended 31 December 2011, the Group entered into RMB50,000,000 (equivalent to HK$61,150,000) term-loan facility with a bank and the loan was secured by a charge over (i) leasehold land and buildings with carrying amount of HK$45,492,647; (ii) pledged bank deposits for not less than an aggregate amount of RMB20,000,000 held in designated bank accounts; (iii) 35% shareholding in GOT (an indirect wholly-owned subsidiary of the Company); and (iv) corporate guarantee executed by 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*) (an indirect wholly-owned subsidiary of the Company) to repay outstanding principal amount with accrued interests and penalties arising in the event of default, if any.

* English name is for identification purpose only.

32. PROVISION FOR WARRANTIES

	HK$
Balance at 1 January 2012	**20,707,471**
Additional provision recognised	**10,149,932**
Reversal of provision	**(1,471,568)**
Amounts utilised during the year	**(6,338,151)**
Effect of foreign currency exchange differences	**105,074**
Balance at 31 December 2012	**23,152,758**

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$
Authorised:		
Ordinary shares of HK$0.002 each at 31 December 2011 and 2012	5,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 January 2011	3,678,160,250	7,356,321
Issue of Shares upon acquisition of subsidiaries *(Note 36(b))*	130,000,000	260,000
Exercise of part of a share option	35,793,125	71,586
Ordinary shares of HK$0.002 each at 31 December 2011 and 2012	3,843,953,375	7,687,907

During the year ended 31 December 2011, part of the options for 35,793,125 shares of HK$0.002 each were exercised at exercise prices ranging from HK$0.2198 to HK$0.3000 per share, resulting in the issue of 35,793,125 shares of HK$0.002 each.

These Shares rank pari passu in all respects with other Shares in issue.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

34. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	2011
	HK$	HK$
Within one year	**6,579,279**	6,704,060
In the second to fifth years inclusive	**2,694,008**	7,858,034
	9,273,287	14,562,094

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 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.

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 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. BUSINESS COMBINATIONS

(a) Acquisition of additional equity interest in GOT

On 14 December 2011, the Group acquired the remaining 65% equity interest in GOT at a cash consideration of RMB107,223,500 (equivalent to HK$131,220,119). Together with the 35% equity interest previously acquired by the Group through the acquisition of the Exequs Co. Ltd. and its subsidiary during the year ended 31 December 2010, the Group gained control over GOT and GOT became an indirect wholly-owned subsidiary of the Company since that date. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence in the PRC lottery industry.

The principal activities of GOT are research, development and production of sports lottery terminals and systems in the PRC.

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36. BUSINESS COMBINATIONS (continued)

(a) Acquisition of additional equity interest in GOT (continued)

Consideration transferred

	2011
	HK$
Cash	131,220,119

Acquisition-related costs amounting to HK$1,262,404 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income within the line item "Selling and administrative expenses".

Assets acquired and liabilities recognised at the date of acquisition

	At 14 December 2011
	HK$
Current assets	
Inventories	27,118,101
Trade receivables	58,602,784
Other receivables, deposits and prepayments	5,479,685
Bank balances and cash	61,426,724
Pledged bank deposits	2,154,194
Non-current assets	
Property, plant and equipment *(Note 17)*	49,500,344
Deferred tax assets	3,357,705
Current liabilities	
Trade payables	(4,372,781)
Accruals and other payables	(8,156,323)
Current tax liabilities	(262,579)
Non-current liabilities	
Provision for warranties	(21,310,537)
Deferred tax liabilities *(Note 23)*	(4,935,061)
	168,602,256

36. BUSINESS COMBINATIONS (continued)

(a) Acquisition of additional equity interest in GOT (continued)

Goodwill arising on acquisition of GOT

	HK$
Consideration transferred	131,220,119
Plus: fair value of the previously held equity interest (35%)	59,010,790
Less: fair value of net identifiable assets acquired	(168,602,256)
Goodwill	21,628,653

Goodwill arose in the acquisition of GOT because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GOT. 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 the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of GOT

	2011 HK$
Consideration paid in cash	131,220,119
Less: cash and cash equivalent balances acquired	(61,426,724)
Total	69,793,395

36. BUSINESS COMBINATIONS (continued)

(a) Acquisition of additional equity interest in GOT (continued)

Impact of acquisition on the results of the Group

An aggregated gain of HK$2,700,624 was recognised as a result of remeasurement of the 35% equity interest in GOT previously held by the Group (Note 21) and the reclassification of foreign translation gain previously recognised in the exchange reserve.

Included in the loss for the year ended 31 December 2011 is post-acquisition loss of approximately HK$1,068,000 attributable to GOT. Revenue for the year includes approximately HK$19,707,000 in respect of GOT.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately HK$210,062,000 and the loss for the year would have been approximately HK$37,094,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

(b) Acquisition of Fortune Happy Investment Limited and its subsidiaries (collectively, the "Fortune Happy Group")

On 15 December 2011, the Group completed the acquisition of the entire equity interest in Fortune Happy Investment Limited. The consideration was satisfied wholly by the issue of 130,000,000 ordinary shares of HK$0.002 each in the capital of the Company. The market share price was HK$0.280 at the date of exchange. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence in the PRC lottery industry.

The principal activities of Fortune Happy Group are the provision of online and phone lottery solutions in the PRC.

Consideration transferred

	2011 HK$
Consideration Shares	36,400,000

Acquisition-related costs amounting to HK$464,057 have been excluded from the consideration transferred and have been recognised as an expense in the statement of consolidated comprehensive income within the line item "Selling and administrative expenses".

36. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Fortune Happy Investment Limited and its subsidiaries (collectively, the "Fortune Happy Group") (continued)

Assets acquired and liabilities recognised at the date of acquisition

	At 15 December 2011 HK$
Current assets	
Trade receivables	4,880,287
Other receivables, deposits and prepayments	10,774,553
Bank balances and cash	1,313,725
Non-current assets	
Property, plant and equipment *(Note 17)*	1,113,396
Current liabilities	
Trade payables	(893,562)
Accruals and other payables	(13,727,772)
Current tax liabilities	(278,964)
	3,181,663

Goodwill arising on acquisition

	HK$
Consideration transferred	36,400,000
Less: fair value of net identifiable assets acquired	(3,181,663)
Goodwill	33,218,337

Goodwill arose in the acquisition of the Fortune Happy Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Fortune Happy 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 the acquisition is expected to be deductible for tax purposes.

36. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Fortune Happy Investment Limited and its subsidiaries (collectively, the "Fortune Happy Group") (continued)

Net cash inflow on acquisition of Fortune Happy Group

	2011 HK$
Consideration paid in cash	–
Less: cash and cash equivalent balances acquired	(1,313,725)
Total	(1,313,725)

Impact of acquisition on the results of the Group

The Fortune Happy Group did not contribute significantly to the revenue or results of the Group for the year ended 31 December 2011.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately HK$132,988,000 and the loss for the year would have been approximately HK$47,434,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

37. DISPOSALS OF SUBSIDIARIES

(a) For the year ended 31 December 2012

(i) Disposal of 北京亞博互動科技發展有限公司 (Beijing AGTech Interactive Technology Development Co., Ltd.*)

During the year ended 31 December 2012, the Group disposed of its entire equity interest in Beijing AGTech Interactive Technology Development Co., Ltd. upon deregistration.

Consideration received

	2012 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of Beijing AGTech Interactive Technology Development Co., Ltd.

	2012 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	**(203,240)**
Loss on disposal included in profit or loss for the year ended 31 December 2012	**(203,240)**

Net cash movement on disposal of Beijing AGTech Interactive Technology Development Co., Ltd.

	2012 HK$
Consideration received in cash and cash equivalents	–

37. DISPOSALS OF SUBSIDIARIES (continued)

(a) For the year ended 31 December 2012 (continued)

(ii) Disposal of 亞博互動信息科技(上海)有限公司 (AGTech Interactive Information Technology (Shanghai) Co., Ltd.*)

During the year ended 31 December 2012, the Group disposed of its entire equity interest in AGTech Interactive Information Technology (Shanghai) Co., Ltd. upon deregistration.

Consideration received

	2012 HK$
Consideration received in cash and cash equivalents	–

Gain on disposal of AGTech Interactive Information Technology (Shanghai) Co., Ltd.

	2012 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	281,359
Gain on disposal included in profit or loss for the year ended 31 December 2012	281,359

Net cash movement on disposal of AGTech Interactive Information Technology (Shanghai) Co., Ltd.

	2012 HK$
Consideration received in cash and cash equivalents	–

37. DISPOSALS OF SUBSIDIARIES (continued)

(b) For the year ended 31 December 2011

(i) Disposal of 湖南世紀星彩企業管理有限公司 (China Lottery Management (Hunan) Co., Ltd.*)

During the year ended 31 December 2011, the Group disposed of its entire equity interest in China Lottery Management (Hunan) Co., Ltd. upon deregistration.

Consideration received

	2011 HK$
Consideration received in cash and cash equivalents	–

Loss on disposal of China Lottery Management (Hunan) Co., Ltd.

	2011 HK$
Consideration received	–
Net assets disposed of	–
Cumulative exchange differences released	(2,527,850)
Loss on disposal included in profit or loss for the year ended 31 December 2011	(2,527,850)

Net cash movement on disposal of China Lottery Management (Hunan) Co., Ltd.

	2011 HK$
Consideration received in cash and cash equivalents	–

* English name is for identification purpose only.

38. SHARE-BASED PAYMENT TRANSACTIONS

The 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 Share Option Scheme), and will be expired 10 years commencing on the adoption of the Share Option Scheme. Under the 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 Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the Share Option Scheme, without prior approval from the Shareholders. The number of Shares in respect of which options may be granted under the 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 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.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 under the Share Option Scheme during the years ended 31 December 2011 and 2012:

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors:													
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2010 – 8 October 2011	3,343,750	–	–	(3,343,750)	–	–	–	–	–	–
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	–	3,343,750	–	(3,343,750)	–	–
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	–	3,343,750	–	–	–	3,343,750
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2014 – 16 August 2015	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2015 – 16 August 2016	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2016 – 16 August 2017	–	–	–	–	–	–	875,000	–	–	875,000

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors:													
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2010 – 8 October 2011	3,343,750	–	(3,343,750)	–	–	–	–	–	–	–
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	–	3,343,750	–	(3,343,750)	–	–
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	–	3,343,750	–	–	–	3,343,750
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2014 – 16 August 2015	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2015 – 16 August 2016	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2016 – 16 August 2017	–	–	–	–	–	–	875,000	–	–	875,000

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors:													
Mr. Liang Yu	9 October 2008	0.2198	9 October 2010 – 8 October 2011	3,343,750	–	(3,343,750)	–	–	–	–	–	–	–
			9 October 2011 – 8 October 2012	3,343,750	–	–	–	–	3,343,750	–	(3,343,750)	–	–
			9 October 2012 – 8 October 2013	3,343,750	–	–	–	–	3,343,750	–	–	–	3,343,750
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2013 – 20 December 2014	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2014 – 20 December 2015	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	–	5,316,000	–	–	–	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2014 – 16 August 2015	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2015 – 16 August 2016	–	–	–	–	–	–	875,000	–	–	875,000
			17 August 2016 – 16 August 2017	–	–	–	–	–	–	875,000	–	–	875,000

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors:													
Ms. Yang Yang	9 October 2008	0.2198	9 October 2010 – 8 October 2011	334,375	–	–	(334,375)	–	–	–	–	–	–
			9 October 2011 – 8 October 2012	334,375	–	–	–	–	334,375	–	(334,375)	–	–
			9 October 2012 – 8 October 2013	334,375	–	–	–	–	334,375	–	–	–	334,375
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	500,000	–	–	–	500,000	–	–	–	500,000
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	500,000	–	–	–	500,000	–	–	–	500,000

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors:													
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	500,000	–	–	–	500,000	–	–	–	500,000
Mr. Kwok Wing Leung Andy	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2013 – 20 December 2014	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	–	500,000	–	–	–	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	–	500,000	–	–	–	500,000	–	–	–	500,000
Eligible employees and other eligible participants:													
	9 October 2008	0.2198	9 October 2010 – 8 October 2011	29,046,875	–	(26,980,625)	(2,066,250)	–	–	–	–	–	–
			9 October 2011 – 8 October 2012	30,359,375	–	(1,250,000)	–	(375,000)	28,734,375	–	(27,046,875)	(1,687,500)	–
			9 October 2012 – 8 October 2013	30,359,375	–	–	–	(375,000)	29,984,375	–	–	(1,812,500)	28,171,875

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38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Eligible employees and other eligible participants:													
	6 July 2010	0.3000	6 July 2011 – 5 July 2012	2,250,000	–	(875,000)	–	(1,250,000)	125,000	–	(125,000)	–	–
			6 July 2012 – 5 July 2013	2,250,000	–	–	–	(1,250,000)	1,000,000	–	–	–	1,000,000
			6 July 2013 – 5 July 2014	2,250,000	–	–	–	(1,250,000)	1,000,000	–	–	–	1,000,000
			6 July 2014 – 5 July 2015	2,250,000	–	–	–	(1,250,000)	1,000,000	–	–	–	1,000,000
	30 March 2011	0.3300	30 March 2012 – 29 March 2013	–	4,350,000	–	–	–	4,350,000	–	–	(1,500,000)	2,850,000
			30 March 2013 – 29 March 2014	–	4,350,000	–	–	–	4,350,000	–	–	(1,500,000)	2,850,000
			30 March 2014 – 29 March 2015	–	4,350,000	–	–	–	4,350,000	–	–	(1,500,000)	2,850,000
			30 March 2015 – 29 March 2016	–	4,350,000	–	–	–	4,350,000	–	–	(1,500,000)	2,850,000
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	–	38,132,000	–	–	–	38,132,000	–	–	(16,972,250)	21,159,750
			21 December 2013 – 20 December 2014	–	38,132,000	–	–	–	38,132,000	–	–	(16,972,250)	21,159,750
			21 December 2014 – 20 December 2015	–	38,132,000	–	–	–	38,132,000	–	–	(16,972,250)	21,159,750
			21 December 2015 – 20 December 2016	–	38,132,000	–	–	–	38,132,000	–	–	(16,972,250)	21,159,750

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2011	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012
Eligible employees and other eligible participants:													
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	–	–	–	–	–	–	20,922,250	–	–	20,922,250
			17 August 2014 – 16 August 2015	–	–	–	–	–	–	20,922,250	–	–	20,922,250
			17 August 2015 – 16 August 2016	–	–	–	–	–	–	20,922,250	–	–	20,922,250
			17 August 2016 – 16 August 2017	–	–	–	–	–	–	20,922,250	–	–	20,922,250
Consultants:													
	24 May 2011	0.4650	24 May 2012 – 23 May 2013	–	6,400,000	–	–	(6,400,000)	–	–	–	–	–
			24 May 2013 – 23 May 2014	–	6,400,000	–	–	(6,400,000)	–	–	–	–	–
			24 May 2014 – 23 May 2015	–	6,400,000	–	–	(6,400,000)	–	–	–	–	–
			24 May 2015 – 23 May 2016	–	6,400,000	–	–	(6,400,000)	–	–	–	–	–
Total				129,862,500	267,320,000	(35,793,125)	(5,744,375)	(31,350,000)	324,295,000	94,189,000	(37,537,500)	(77,389,000)	303,557,500
Exercisable at the end of the year				39,412,500					39,225,000				81,495,250
Weighted average exercise price				HK$0.2254	HK$0.3094	HK$0.2218	HK$0.2198	HK$0.4328	HK$0.2750	HK$0.1006	HK$0.2201	HK$0.2899	HK$0.2239

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38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

None of the share option was exercised during the year ended 31 December 2012.

The following share options were exercised during the year ended 31 December 2011:

For the year ended 31 December 2011

Date of grant	Number of share options exercised	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 October 2008	9,500,000	24 January 2011	0.30	0.31
9 October 2008	125,000	14 February 2011	0.29	0.29
9 October 2008	125,000	18 February 2011	0.29	0.29
9 October 2008	1,671,875	25 May 2011	0.43	0.44
9 October 2008	500,000	14 June 2011	0.43	0.42
9 October 2008	62,500	23 June 2011	0.47	0.43
6 July 2010	875,000	6 July 2011	0.47	0.47
9 October 2008	250,000	23 August 2011	0.40	0.40
9 October 2008	3,340,000	14 September 2011	0.42	0.43
9 October 2008	6,218,750	30 September 2011	0.34	0.35
9 October 2008	12,250,000	7 October 2011	0.31	0.34
9 October 2008	750,000	14 October 2011	0.35	0.35
9 October 2008	125,000	26 October 2011	0.34	0.34
	35,793,125			

At 31 December 2012, the number of Shares of which options had been granted and remained outstanding under the Share Option Scheme was 303,557,500 (2011: 324,295,000), representing approximately 7.90% (2011: 8.44%) of the Company's issued share capital at that date.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The fair values of options granted during the years ended 31 December 2012 and 2011 were calculated using the binominal model, details of which are as follows:

	Date of grant		
	17 August 2012	21 December 2011	30 March 2011
Number of Shares to be issued upon exercise of options granted	94,189,000	224,320,000	17,400,000
Estimated fair values of options granted	HK$4,563,694	HK$30,689,906	HK$3,049,982
Significant inputs into the model:			
Closing share price at date of grant	HK$0.1000	HK$0.29	HK$0.33
Exercise price	HK$0.1006	HK$0.29	HK$0.33
Expected volatility	65.68%-82.90%	65.56%-84.52%	74.65%-88.38%
Expected life of options	2-5 years	2-5 years	2-5 years
Risk-free interest rate	0.200%-0.332%	0.35%-0.75%	0.667%-1.899%
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.

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39. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions based on the terms mutually agreed between the parties involved:

	2012	2011
	HK$	HK$
Waiver of an amount due to a former associate	**–**	(1,333,622)

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:

	2012	2011
	HK$	HK$
Short-term employee benefits	**9,712,735**	10,103,764
Share-based payments	**4,781,496**	1,905,255
Post-employment benefits	**116,016**	101,360
	14,610,247	12,110,379

40. INVESTMENTS IN SUBSIDIARIES

	2012	2011
	HK$	HK$
Unlisted shares, at cost	**7,800**	7,800
Less: Impairment loss recognised in prior years	**(7,800)**	(7,800)
	–	–

40. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2012 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	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong	PRC	2,622 ordinary shares of HK$1 each	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)	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	600,000 ordinary shares of HK$1 each	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)	Research and development of sports lottery information technology
China Lottery Management Co., Ltd.*	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$150 million	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)	Investment holding
SHINING CHINA INC	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding
Exequs Co. Ltd.	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding

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40. INVESTMENTS IN SUBSIDIARIES (continued)

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	Principal activities
Fortune Happy Investment Limited	Incorporated	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1 each	100% (indirect)	Investment holding
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)	Investment holding
GOT*	Domestic enterprise	PRC	PRC	Registered capital of RMB50 million	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)	Provision for lottery organisations with comprehensive phone and mobile betting solutions

* English name is for identification purpose 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.

None of the subsidiaries had issued any debt securities during the year and at the end of the reporting period.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

41. RESERVES

The Company

	Share premium HK$	Share options reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2011	1,076,602,404	188,193,324	47,191,476	(286,340,622)	1,025,646,582
Loss for the year	–	–	–	(11,224,456)	(11,224,456)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(11,224,456)	(11,224,456)
Recognition of equity-settled share-based payments	–	7,320,587	–	–	7,320,587
Shares issued on exercise of part of share options	61,812,523	(53,946,605)	–	–	7,865,918
Lapse of share options	–	(9,179,266)	–	9,179,266	–
Issue of Shares upon acquisition of subsidiaries *(Note 36(b))*	36,140,000	–	–	–	36,140,000
Balance at 31 December 2011 and 1 January 2012	1,174,554,927	132,388,040	47,191,476	(288,385,812)	1,065,748,631
Loss for the year	–	–	–	(18,196,077)	(18,196,077)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(18,196,077)	(18,196,077)
Recognition of equity-settled share-based payments	–	9,997,944	–	–	9,997,944
Lapse of share options	–	(67,068,704)	–	67,068,704	–
Balance at 31 December 2012	1,174,554,927	75,317,280	47,191,476	(239,513,185)	1,057,550,498

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42. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with the financial statements of the Company to the extent of HK$18,196,077 (2011: HK$11,224,456).

43. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2011: nil).